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The Province of Alberta

IN THE MATTER OF "THE NATURAL
GAS UTILITIES ACT"

—and—

IN THE MATTER OF an Enquiry into
Scheme to be adopted for Gathering,
Processing and Transmission of
Natural Gas in Turner Valley

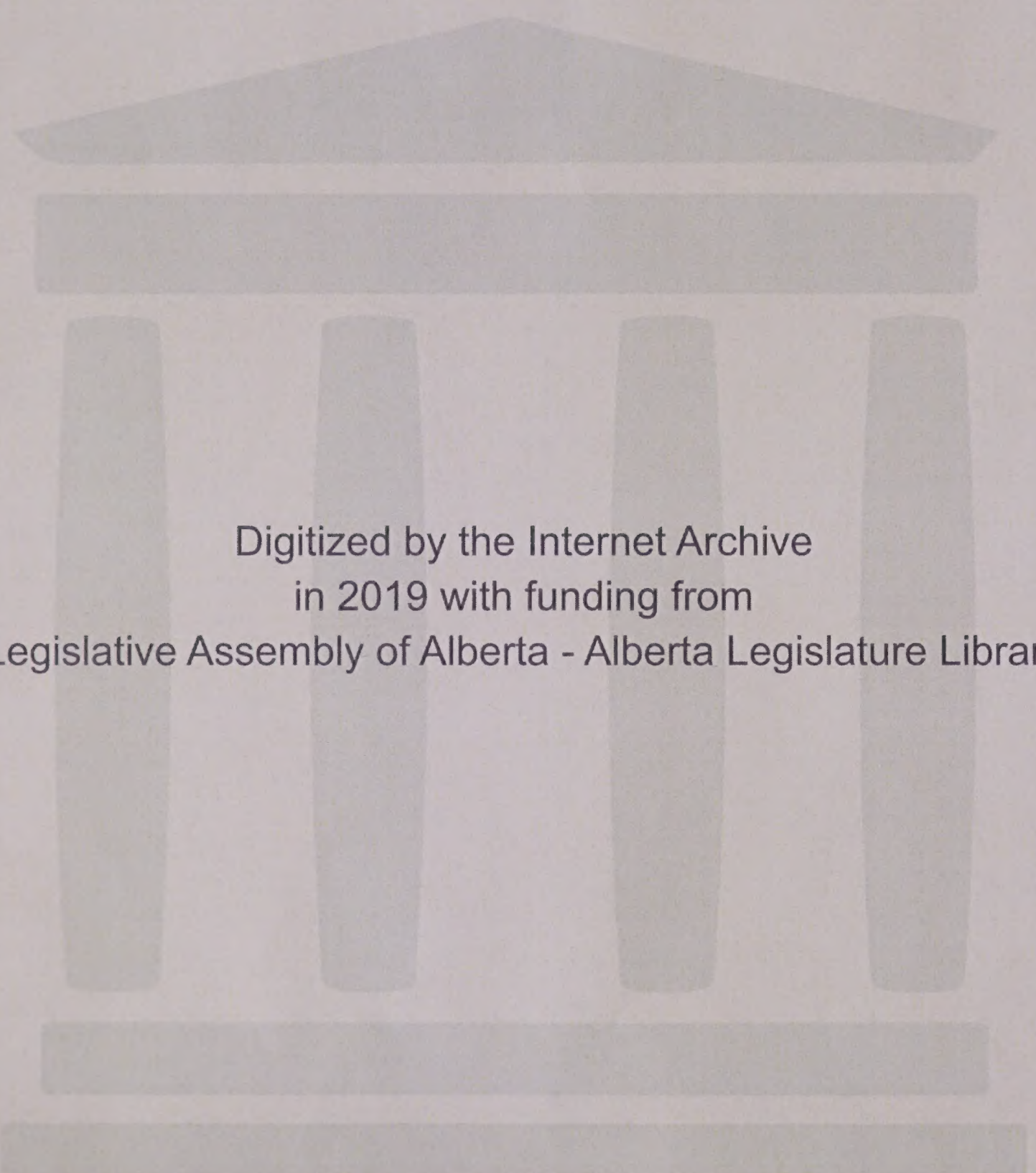
G. M. BLACKSTOCK, Esq., K.C., *Chairman*

Dr. E. H. BOOMER, F.C.I.C., *Commissioner*

Session:

CALGARY, Alberta November 14th, 1945

VOLUME 53



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H. Zinder,
Cross-Exam. by Mr. Steer.

Q On page 3 of your submission Mr. Zinder, you discuss the possibility of cheap gas bringing industries from the United States to Canada or of building up an export demand, in which I take it you are making an argument for a cheap price in the public interest ?

A I do not believe that that necessarily means a cheap price, Mr. Steer.

Q Is there any difference between a low price and a cheap price ?

A Well I would not argue as to what the difference might be. I think the low price and a cheap price are probably the same thing.

Q Then you have submitted that a low price for natural gas will build up an export demand and attract industry ?

A I said here on page 3 given a low enough field price.

Q You are not referring to the same passage as I am. I am referring you to down about the middle of the page 3, where you say:

"A low price for natural gas or oil will build up an export demand or bring industries from the United States to Canada".

A That is right.

Q And that means a cheap price for natural gas would do those things ?

A That is right.

Q And are you seriously suggesting that there is a possibility of industry being attracted from the United States into the Turner Valley area by reason of the presence here of reserves of some 345 billions of cubic feet of gas ?

A I would say Mr. Steer that the price of gas where gas is an

Mr. [Name]
[Address]

Q. page 3 of your submission Mr. [Name], you discuss the possibility of cheap gas being imported from the United States to Canada or of building up an export demand, in which I take it you are making an argument for a cheap price in the public interest?

A. I do not believe that that necessarily means a cheap price, Mr. [Name].

Q. Is there any difference between a low price and a cheap price?

A. Well I would not argue as to what the difference might be. I think the low price and a cheap price are probably the same thing.

Q. Then you have submitted that a low price for natural gas will build up an export demand and attract industry?

A. I said here on page 3 given a low enough field price.

Q. You are not returning to the same passage as I am. I am referring you to down about the middle of the page 3, where you say: "A low price for natural gas or oil will build up an export demand or buying industries from the United States to Canada".

A. That is right.

Q. And that means a cheap price for natural gas would do those things?

A. That is right.

Q. And are you seriously suggesting that there is a possibility of industry being attracted from the United States into the United States by reason of the presence here of reserves of some 300 billions of cubic feet of gas?

A. I would say Mr. [Name] that the price of gas would be an

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important element in the total cost of the profits to the manufacturer would be a major factor in the location of that industry. There are a lot of factors of course that enter into the question of the location of industry. I am not suggesting that that is the only one.

Q Yes, but I think you have hardly answered my question which was whether in your opinion there is a possibility of a cheap price of gas attracting industry from the United States into this Turner Valley field with its reserve of 345 billion cubic feet. That is my question. Now what is your opinion?

A My opinion, Mr. Steer, is that there is a possibility.

Q And what industry?

A I do not know that I could answer that offhand Mr. Steer.

Q And why should they be attracted now if they were not attracted ten or fifteen years ago?

A One reason might be Mr. Steer, that if the price of gas in the United States has gone up substantially and if the price of gas here had remained constant or considerably lower why that would be a changed situation which would cause a movement of that industry.

Q Your figures show however that the price of gas in the United States has consistently gone down?

A No my figures show, Mr. Steer, that it has consistently gone down to a point in about 1940 where I say was the low point and the average I think from that year on, the trend is up.

Q I would like to know from you why Turner Valley area attracts industry today with a reserve of 345 billions when it did not attract it we will say six or seven years ago when the reserve was perhaps twice as much.

A Well, Mr. Steer, there are two points. One is I do not make

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the conclusion or conclude as a definite fact that industry will be brought here. I say it is a possibility with a low price of gas that industry would be attracted. I do not say they actually would move. The second point if I might continue, Mr. Steer, is that the point I have just mentioned, namely conditions today, maybe considerably different than they were ten years ago. If I might illustrate by an example. For example, the carbon black industry we know in the States has moved from one location to another as the price of gas increased in the Appalachian area, increased in certain fields in the south, it moved to other fields where the price is low. Now there is an example of an industry moving from location to location because of the price of gas.

Q And when did that move take place from the Appalachian area for the carbon black industry ?

A That was many years ago.

Q How many ?

A I do not know offhand.

Q So you are not able to help us very much in that respect ?

A Not in naming specific years.

Q I suggest to you, Mr. Zinder, that if ten or fifteen years ago there was - I wonder if I could get the figures. I will suggest to you that ten or fifteen years ago -

THE CHAIRMAN: Pardon me, Mr. Steer, perhaps Mr. Bailey can find for you quickly the figures you are looking for.

MR. STEER: Yes, I would like to get the reserves of gas in Turner Valley we will say in 1935 and the amount of waste that has occurred to that time.

MR. McDONALD: There has never been an estimate of reserves around 1935.

...

... of a first industry would be attracted. I do not say
they actually would move. The second point is I might say
time, Mr. Steer, is that the point I have just mentioned,
namely conditions today, may considerably differ from
they were ten years ago. It is difficult to say exactly
for example, the order of the industry as shown in the 1911
has moved from the location to another as the price of
increased in the agricultural area. Increased in certain fields
in the south, it moved to other fields where the price is low.
Now there is an example of an industry moving from location to
location because of the price of raw.

... and when it moves from the agricultural area
for the reason which industry
it was about 1911.
How many?
I do not know exactly.
Do you not see it is very much in the present?
Not in the same position.
I suggest to you, Mr. Steer, that it is not the same as
there was. I suggest it is much more complicated. I will say
that to you. It is a very complicated question.
The question is, Mr. Steer, what is the result?
I think the result is that the industry is becoming more
... in the 1911 and the 1921 and the 1931 and the 1941
... the result is that the industry is becoming more
...

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THE CHAIRMAN: I do not know if Mr. Bailey can get it yet.

Q MR. STEER: What is in my mind, Mr. Zinder, why this waste gas assumes in your mind today a value so much greater than it had when it was being blown into the air by billions and billions of cubic feet ?

A The actual value of the gas today is partly made by the market to which it is being dedicated but which is a changed situation from what it was previously.

Q Yes, we discussed that yesterday.

A That is right, which is one factor. In addition I really believe, this is a matter of my personal opinion, of course, that that gas even though it was wasted had a value at that time.

Q It had the same value then as it has now, when you are talking about the value.

A Well I would not go so far as to say it had the same value then as it has now.

Q Perhaps you will tell us now why it did not have the same value then as it has now ?

A Well as I said in determining value there are various factors that have to be taken into consideration.

Q And what are they ?

A One of them is the cost which has an influence on value. If the costs were different then than they are today that might have made for a change in the value.

Q And by that value you mean what ?

A By value I mean the price, we were speaking of market value.

Q All right, then let us understand that.

A All right, I mean the price that that gas would bring in the market.

Q Very well now, you say that there are other influences on the

[illegible]

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market price of gas operating today other than the influences that were operating ten years ago, do you ?

A I said there are influences that might be different and one that is different is the fact that this gas which has been previously flared is now dedicated to the market.

Q All right now, what other influences or factors have you in your mind which are going to make for a higher price for this gas today than ten years ago. What are they ?

A I am assuming and I have to make certain assumptions that the cost of labour today is higher than it was ten years ago.

Q You are assuming that ?

A That is right. Now I have not made a study of those factors and I cannot say that is so as a fact.

Q Yes, what else ?

A Now the price of coal today may be higher than it was ten years ago. Now there again I am assuming it as a possibility.

Q Yes.

A I have not made the statement, Mr. Steer, that gas is more valuable today than it was ten years ago. I made no study as to what the value of that gas might have been ten years ago.

Q Meaning market value ?

A Yes, market value.

Q Are there any other factors that you want to mention which will make for a higher price today than ten years ago ?

A The price of oil ten years ago and today might have an influence on the value.

Q Yes, now anything else ?

A I would say those are the two principal ones.

Q And you have not said that these factors have influenced the price of gas. What you have said is that it may be that these

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10. The error term ϵ_i is a zero mean random variable.

... the act of betrayal was not as he felt it was.

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factors have influenced that price. That is just what you said ?

A I said these factors do have an influence on price and therefore if there was any change in those factors between ten years ago and today that that would be reflected in a change in the value of the gas.

Q I think you could have answered my question, yes, because that is exactly what I put to you. Now then is there any difference in the conditions under which this gas is produced today and the conditions in which it was produced ten years ago ?

A Not to my knowledge.

Q It was a waste product then and it is a waste product now, save for this question of regulation. That is right?

A By regulation you mean the fact that the gas is to be repressured and saved for the future ?

Q I mean what this Act has done for it. It has provided a market for it and provided a scheme for repressuring. Leave that out of consideration and I say to you that the gas is produced under exactly the same conditions today as it was ten years ago ?

A I said, yes.

Q It was a waste product then and it is a waste product now, save for those conditions which I have mentioned ?

A Save for those conditions, right.

Q I am talking now about the gas that was flared, I am not talking about the gas that goes to the market.

A That is my understanding.

Q Then I would like to refer you to Page 4. You say in the last paragraph on that page:

"Every gas well, when connected to a pipe line outlet,

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declines in rock pressure and deliverability day by day and year by year until its ultimate exhaustion and abandonment. Therefore, to maintain adequate supplies when the demand is fairly constant many wells must be drilled to replace the gas being utilized and compressor stations must be built to increase the deliverability from low pressure wells".

What chance is there of anyone being called upon to drill new wells in this field and incur those risks that you speak of ?

A In this field, Mr. Steer, I cannot say as to whether or not deliverability would be maintained by increasing the number of wells drilled or by the addition of compressors or some other means.

Q Now would your view as expressed on that page be changed if you were aware of the fact that the evidence is that no new wells will be required until 1969 ?

A No.

Q That would not change your view ?

A No. I might add, Mr. Steer, that on Page 4, I am speaking of the characteristics as I see them of the natural gas business. Now I am glad to discuss it with particular reference to Turner Valley, but I would like to point out that I have not said that all these factors apply to Turner Valley.

Q Well, of course Mr. Zinder, the only field that we are interested in is Turner Valley, so I would like you to discuss these factors as applicable to Turner Valley, having in mind the fact we are told that there is enough drilling here to supply this Calgary system until 1969. Now having that in mind perhaps you will discuss these factors applicable to Turner Valley ?

[illegible]

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A I will be glad to.

MR. McDONALD: Mr. Chairman, my recollection is that Mr. R. E. Davis' evidence is about 1962 or 1964. Are you referring to his evidence ?

MR. STEER: I am referring to Mr. Stevens-Guille.

MR. McDONALD: I would like to point out that Mr. R. E. Davis' evidence is of an earlier point than either.

MR. STEER: If you like to take Mr. R. E. Davis' evidence all the way that is fine, but I think we will take Mr. Stevens-Guille's evidence.

Q However, I will ask you to discuss it on the basis of Mr. Stevens-Guille's evidence as to 1969 and I think I am right in that ?

A I think I answered your question, Mr. Steer, that even though the evidence may be that increased drilling will not be necessary until 1969, I still say that for the life of the field therefore, to maintain deliverability, you have to make added investments for the same market. Either in drilling cost or in compressor stations, or in gathering lines or in some other factor.

(Go to Page 4118)

1. The first part of the report

2. The second part of the report
3. The third part of the report
4. The fourth part of the report

5. The fifth part of the report

6. The sixth part of the report

7. The seventh part of the report

8. The eighth part of the report

9. The ninth part of the report

10. The tenth part of the report

11. The eleventh part of the report

12. The twelfth part of the report

13. The thirteenth part of the report

14. The fourteenth part of the report

15. The fifteenth part of the report

16. The sixteenth part of the report

17. The seventeenth part of the report

18. The eighteenth part of the report

19. The nineteenth part of the report

20. The twentieth part of the report

H-1-1 9.50 a.m.

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Q I notice that at the top of page 5 you mention "To increase the deliverability from low pressure wells." Will you tell us why you inserted that?

A The question was why I inserted that?

Q Yes. What knowledge have you of low pressure wells in Turner Valley or elsewhere?

A I have not any knowledge if that is what you are asking, Mr. Steer, that comes from actual drilling of the wells or other operations. I am not a geologist and I have not really, as I have stated, I have made studies of these factors as they have come to my attention. Now with respect to why I have inserted that, it is my understanding and knowledge that as a well produces its rock pressure declines. Now as its pressure declines, and it is necessary to maintain a certain pressure in order to deliver that gas to market, some way must be found to maintain that pressure. Now that can be done by drilling additional wells, which is done in certain fields, and in that way maintain the deliverability, the total deliverability being the total amount to be delivered to the market, or can be done by means of additional compression.

Q And you are not referring particularly to the Turner Valley when you are talking about those low pressure wells at all?

A No, just generally.

Q I see. Are you aware of the fact that a part of the scheme under consideration here has to do with the gathering of low pressure gas?

A Yes.

Q Have you studied that aspect of it?

A I have not.

Q Is it your view that the cost of the gathering of that low

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pressure gas must be charged against the Calgary consumer, as you think the cost of repressuring ought to be charged against the Calgary consumer?

A Under normal circumstances, I would say yes.

Q So that your view is that with regard to all the facilities that we are discussing here, the consumer pays?

A I would not say completely, Mr. Steer. I would have a qualification to this extent, if I might explain. I am taking the position that the proper price at the well head is the value of service. Now, that may or may not return to the investor a return on his money and his investment over a period of years. Wherever that falls, my position is that that is the price that it ought to pay with respect to the gathering facilities. And this is outside of my direct testimony here, Mr. Steer.

Q Well if you are not.....

AWith respect.....

Q Excuse me, Mr. Zinder. I do not want to ask you to give an opinion on a matter with respect to which you think you are not qualified, and if you are not qualified simply say so, if you are qualified I would like your view. You have given it already as to repressuring and you have said that repressuring ought to be charged entirely against the consumer. Now, if you can give a similar view with regard to these or with regard to this low pressuring cost of gathering gas, and delivering it to the absorption plant, I would like to have it.

A I have given my answer, which was that under normal conditions I would say yes.

Q Yes. Now, the evidence here is

④ 2013 年 12 月 1 日, 甲公司向乙公司销售一批商品, 售价为 100 万元, 成本为 80 万元, 款项尚未收到, 乙公司欠甲公司 100 万元。

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2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840. 841.

1. *Chlorophyll a* (Chl *a*) and *Chlorophyll b* (Chl *b*) were determined using the method of Arar and Collins (1997). The concentration of Chl *a* and Chl *b* was expressed as $\mu\text{g mL}^{-1}$ of the sample.

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H. Zinder,
Cross-Exam. by Mr. Steer.

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MR. McDONALD: Just a minute, Mr. Chairman, the witness was continuing an explanation of his previous answer. He is entitled to proceed if he likes.

MR. STEER: Will the Court Reporter read the answer?

BY THE REPORTER READING: "A. I would not say completely, Mr. Steer. I would have a qualification to this extent, if I might explain, I am taking the position that the proper price at the well head is the value of service. Now, that may or may not return to the investor a return on his money and his investment over a period of years. Wherever that falls, my position is that that is the price that it ought to pay with respect to the gathering facilities. And this is outside of my direct testimony here, Mr. Steer."

THE CHAIRMAN: But at a point further back, Mr. Howard, Mr. Zinder was about to say something and Mr. Steer said "Excuse me".

MR. McDONALD: No, that was the point, Mr.

Chairman. If the witness wishes to proceed with the explanation he has in mind, I think he should be entitled to.

Q MR. STEER: All right, Mr. Zinder, you just go ahead.

A Thank you, Mr. Steer. I differentiate then between setting a value or a price at the well and determining a price or cost for gathering of gas. In my opinion the usual and normal utility regulatory principles apply to an operation of that character, where you have an investment in gathering lines or in transmission lines or in distribution lines. The utility regulatory principle in my opinion would provide for a return on that investment which was made for the delivering

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of that gas from the low pressure wells to the scrubber and eventually to the market as part of the cost of the gas, provided that the investment made is a prudent investment, and it does not represent property not used and useful and so forth. And I am through, Mr. Steer.

Q Now, what you have said, Mr. Zinder, is your statement of principle is applicable to the low pressure wells in the South end of Turner Valley?

A That is correct.

Q That is correct?

A Yes.

Q And from that I gather that what you think happens down there is that gathering lines go to these wells and deliver the gas to the scrubber and the gas is scrubbed and delivered to the market?

A Broadly speaking, yes. I cannot say offhand whether it goes first to the scrubber and then to the market or whether it goes to the absorption plant first offhand.

Q Well, the fact is, Mr. Zinder, that there was an absorption plant in that area which was connected up with a number of wells and that there were a large number of low pressure wells in the area which could not deliver their gas to that absorption plant, and that under this scheme those low pressure wells were connected with the absorption plant and had the effect of increasing the amount of gas that passed through the absorption plant of from 20 to 50 billion cubic feet.

MR. HARVIE: I do not think that is the evidence.

THE CHAIRMAN: Well, let us say it increased it from x to x plus y, and extended the life of the absorption plant a number of years.

MR. STEER: All right.

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• *Journal of the American Medical Association*, 1991; 265: 1031-1034.

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Q Now, I asked you is it your opinion that the consumer pays under those circumstances?

A Under the circumstances you have described, Mr. Steer, I would say that the consumer would pay his share of the cost of that gathering based upon an allocation between the use of those facilities in carrying gas for the absorption plant as against gas for the market.

Q Have you had any experience in making such allocations?

A I have made many cost allocations of both natural gas and electrical utility system costs.

Q But that does not answer my question quite. I asked you if you had any experience in making such allocations of costs as that to which you have referred to in the South end of the field?

A I have not had exactly similar cases, Mr. Steer.

Q Yes. Now I refer you to Pages 6 and 7, and I am not going to weary you by repetition of things that we talked about yesterday. I take it that on Page 6 and to the end of that section on Page 7, you are dealing there with other uses that can be made of this commodity. You do regard it as a commodity?

A Yes, I do regard it as a commodity, and having a growing use as a commodity according to all information.

Q And your suggestion is that we can look forward to higher prices for this commodity in the future because of these other uses that you speak of?

A Yes.

Q But you are not prepared to assist us by telling us what ones, if any, of these other uses can be made of this gas in this area from an economical point of view?

A No, I am not, Mr. Steer. I have not made a study of that.

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Q And I need not ask you then whether you know of any industries that are prepared to move into Turner Valley by reason of our supply of gas?

A I do not know.

Q No. And we have got an ammonia plant here, which some people think was attracted to this area by the cheapness of the gas that could be got and by the fact that ammonia was necessary for the war effort. You know that?

A Yes, I do.

Q Have you any ideas on the price that such a plant can pay for gas and operate economically?

A No, I have not.

Q Have you any explanation to make as to why the consumer now should pay more for gas of this character that you have described with these uses possibly that you have described, why should the consumer under those conditions pay more now for his gas? From what you have said in your brief on Pages 6 and 7, and from what you have now told us, that is no reason why the consumer should pay higher prices for his gas, is it?

A I would say, Mr. Steer, that if after considering all these factors one arrives at a value of gas at the wells which would in turn cause an increase in the price to this consumer, then I would say I should think he ought to pay that increased price.

Q Your argument, however, is not that because of your discussion of these possible future uses of the gas that the gas is more valuable at the wellhead from a point of view of market value than otherwise it would be?

A No, not necessarily.

Q In other words, what the consumer ought to pay for this gas

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today is the same as he ought to pay ten years ago, a price determined by the law of supply and demand applied to a single market?

- A No, I cannot say applied to a single market, Mr. Steer. Yesterday I mentioned what I termed a demand curve. In other words for various prices of gas in the field or at the wells, or in the market you can draw a curve for each point. You would find a market for a certain volume of gas or determine how much gas would be used at that price. Now, if you get the price down low enough, you might find one of these plants, small or large, that would come up here. I do not know. I have not made a study of that factor. I am simply suggesting that natural gas having come now into certain new uses, that is a market factor. Under those conditions I cannot say that we are dealing only with a single market. I would say this, that it would appear to me that the single market certainly is by far the predominating if not the determining factor, but I would not want to rule out completely these other possibilities, even though they may not be probable or may not be something that you look forward to this year or next.

- Q I thought we had agreed yesterday that from a practical point of view the Calgary system was the only market at the moment for this gas. We did not agree on that, eh?

- A I would answer the question today the same as I did yesterday if the same question was asked.

- Q Well, I certainly had the impression that you told me yesterday that the only economical and practical market today for this gas was the Calgary system?

- A No, I think I have answered the question.....

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MR. McDONALD: Just a minute. Are you talking about the same things? Mr. Steer is talking about the Calgary system. The Calgary system will include as consumers in Calgary, and the other things the witness has spoken about. They are two different things.

THE CHAIRMAN: Well it is a single system, and a single market. I do not think there is any doubt about that.

MR. McDONALD: But there might be demands created on that market beyond what has been said.

Q MR. STEER: You would not expect a carbon black company to come out here and buy its gas from the Canadian Western Company, would you?

A No, I would not.

Q Would you expect the Fischer-Tropsch plant to buy its gas from the Canadian Western system, having in mind the way that system gets its gas?

A No, I would not.

(Go to page 4126).

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Q On page 9 of your statement, your first sentence says this:

"It becomes necessary to place a value directly on natural gas at the well head."

Will you explain the difference between the "well head price" of gas and the "gathered price" of gas?

A Yes. It is my position, Mr. Steer, that the well head price of gas should be set at a point representing the value of that gas at that point. The price for gathering the gas, it is my opinion, should be set on utility regulatory principles which represent cost determined in accordance with the law of the land, as to the regulation of utilities.

Q Yes, but my question had more to do with the technical differences between the two terms, what is the difference between the term "well head price" and "gathered price", is this not so, that sometimes the pipeline company buys its gas from the operator of the well at the well head and the pipeline company pipes it into its system, now that is the well head price.

A That is correct.

Q Is that right?

A That is correct.

Q And in other cases, the pipeline company constructs a gathering system, - at least a group of producers constructs a gathering system and they deliver their gas into that gathering system and deliver it to the pipe line company at a central point.

A That is right.

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Q Yes. Now the latter is the price which is paid by the pipeline company at the central point and that price is the "gathered price" of that gas.

A Yes.

Q And the price which is paid at the well head is the "well head price" of the gas?

A Yes.

Q And in answering a question that was interjected by someone, I think it was my learned friend, Mr. Chambers, yesterday or the day before yesterday, at the bottom of page 3950 you say:

"Natural gas at 5 cents per mcf in the Gulf coast region of the United States can still be transported over 1200 miles into the heart of the coal region of West Virginia and Kentucky and the Appalachian natural gas fields."

A Might I take a look at that, Mr. Steer?

Q I have marked it there. (Handed volume of evidence to witness)

A Yes.

Q Can you tell us the particular project you had in mind there?

A That particular project was the sale of gas by the Chicago Corporation to the Tennessee Natural Gas project.

Q Yes and I understand that the Chicago Corporation has a gathering system there, where it takes the natural gas from the operators of the wells, puts it through an absorption plant and under this contract, which you have in mind here, it delivers that gas at a central point.

A Those deliveries, Mr. Steer, are made at the outlet side of the absorption plant.

[The text on this page is extremely faint and illegible. It appears to be a multi-paragraph document with several lines of text per paragraph. The content is not discernible.]

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Q Yes, and when you said to my learned friend, Mr. Chambers, that that was the well head price, you meant it was the price at the outlet of the absorption plant, did you?

A Well Mr. Chambers' question, as I recall it, had to do with my Table No. 5, I thought, no, not 5, Table No.

Q Perhaps you will read it at the bottom of page 3950 and 3951. You see you are obviously talking there, Mr. Zinder, at the bottom of page 3950 about the gas delivered by the Chicago Corporation to the Tennessee Natural Gas Project, are you not?

A Yes.

Q And you talk there about 5 cents, and Mr. Chambers asked you whether that was "well head" and you said "yes", is that right?

A No, that is not. I would like to correct that statement on the record. I thought Mr. Chambers was referring to my Table No. 3-A.

Q Mr. Zinder, how could you possibly think that?

A Well, I

Q How could you possibly think it? Is there any reference there to Table 3-A?

A No, there is not.

Q No, and what you say now is that you made a mistake?

A That is right.

Q And instead of well head price you meant gathered price.

A For that particular project and that was the one I had in mind at that point, yes.

Q THE CHAIRMAN: Who operates the scrubbing plant at that point?

A The Chicago Corporation operates, oh, pardon me, the

1940-1941

1940-1941

1. The first part of the report deals with the general situation of the country in 1940-1941. It is a very interesting and detailed account of the events of that year, from the beginning of the war to the end of the year. The author describes the political, economic, and social conditions of the country at that time, and the impact of the war on the population. He also discusses the role of the government and the various political parties in the country.

2. The second part of the report deals with the economic situation of the country in 1940-1941. It is a very detailed account of the economic conditions of the country at that time, from the beginning of the war to the end of the year. The author describes the state of the economy, the production of goods and services, and the distribution of income. He also discusses the impact of the war on the economy and the measures taken by the government to deal with the economic crisis.

3. The third part of the report deals with the social situation of the country in 1940-1941. It is a very detailed account of the social conditions of the country at that time, from the beginning of the war to the end of the year. The author describes the state of the population, the distribution of income, and the social services provided by the government. He also discusses the impact of the war on the social conditions and the measures taken by the government to deal with the social crisis.

4. The fourth part of the report deals with the political situation of the country in 1940-1941. It is a very detailed account of the political conditions of the country at that time, from the beginning of the war to the end of the year. The author describes the state of the political system, the role of the government, and the various political parties. He also discusses the impact of the war on the political situation and the measures taken by the government to deal with the political crisis.

5. The fifth part of the report deals with the cultural situation of the country in 1940-1941. It is a very detailed account of the cultural conditions of the country at that time, from the beginning of the war to the end of the year. The author describes the state of the cultural life, the production of art and literature, and the distribution of cultural services. He also discusses the impact of the war on the cultural situation and the measures taken by the government to deal with the cultural crisis.

6. The sixth part of the report deals with the foreign relations of the country in 1940-1941. It is a very detailed account of the foreign relations of the country at that time, from the beginning of the war to the end of the year. The author describes the state of the international relations, the role of the country in the world, and the various international organizations. He also discusses the impact of the war on the foreign relations and the measures taken by the government to deal with the foreign crisis.

7. The seventh part of the report deals with the military situation of the country in 1940-1941. It is a very detailed account of the military conditions of the country at that time, from the beginning of the war to the end of the year. The author describes the state of the armed forces, the production of military equipment, and the distribution of military services. He also discusses the impact of the war on the military situation and the measures taken by the government to deal with the military crisis.

8. The eighth part of the report deals with the health situation of the country in 1940-1941. It is a very detailed account of the health conditions of the country at that time, from the beginning of the war to the end of the year. The author describes the state of the health services, the production of medical supplies, and the distribution of medical services. He also discusses the impact of the war on the health situation and the measures taken by the government to deal with the health crisis.

9. The ninth part of the report deals with the education situation of the country in 1940-1941. It is a very detailed account of the education conditions of the country at that time, from the beginning of the war to the end of the year. The author describes the state of the educational system, the production of educational materials, and the distribution of educational services. He also discusses the impact of the war on the education situation and the measures taken by the government to deal with the education crisis.

10. The tenth part of the report deals with the housing situation of the country in 1940-1941. It is a very detailed account of the housing conditions of the country at that time, from the beginning of the war to the end of the year. The author describes the state of the housing market, the production of housing materials, and the distribution of housing services. He also discusses the impact of the war on the housing situation and the measures taken by the government to deal with the housing crisis.

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absorption plant, - the Chicago Corporation operates the absorption plant, I think there are other corporations which are affiliated and some non-affiliated with the Chicago Corporation, who operate the absorption plant from which this gas is obtained.

Q MR. STEER: Now that gas is sweet gas?

A Yes.

Q And what you tell us now is that the Chicago Corporation processes that gas from the well owners or processes that which it gets from its own wells, carries it through the absorption plant

MR. BLANCHARD: Sweet gas?

Q MR. STEER: Yes, carries it through the absorption plant and then delivers it at a central point to this pipeline company at 5 cents a thousand.

A 5 cents a thousand for the first five years, I believe it is.

Q Yes.

A And higher prices thereafter.

Q Slightly higher?

A About a cent, I think.

Q Now you talk about:

"recognition of the existence of a market value of natural gas at the well head in the United States dates back to at least 1922."

And then you say that:

"The publication of such data, which in some respects is equivalent to the posting of field prices, has no doubt had a stabilizing effect on field prices throughout the United States."

That is on page 9.

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MR. BLANCHARD: I would like to ask a question at this moment, do you intend to put to the witness that "sweet gas" is treated in an absorption plant, that is all I want to know.

THE CHAIRMAN: You are confusing "sweet gas" with "wet gas".

MR. STEER: "Sweet gas" may be wet, without any sulphur content.

MR. BLANCHARD: It is just so that I know the effect of the question.

MR. HARVIE: I gathered all along that there has been some misunderstanding of that term. There is "dry gas" and then there is "sweet gas".

MR. BLANCHARD: I was wondering what you meant by that.

Q MR. STEER: Perhaps Mr. Zinder will explain what is the difference between "sweet" and "sour" gas.

A The difference between "sweet" and "sour" gas would be the relative amount of sulphur in the gas which has to be removed for market purposes. Now "sour" gas is considered gas that has a substantial amount of sulphur.

Q "Sour" gas has to go through a scrubber and "sweet gas" has not?

A That is right.

Q And both sweet and sour gas may have a gasoline content that can be removed in an absorption plant?

A That is right.

MR. STEER: I thought we all understood that.

MR. BLANCHARD: No, I did not understand it.

MR. STEER: I would have thought my learned friend, Mr. Harvie, did.

Figure 1 is a line graph showing the percentage of total protein in the supernatant versus the percentage of total protein in the pellet for various proteins. The y-axis is labeled 'PERCENTAGE OF TOTAL PROTEIN IN SUPERNATANT' and ranges from 0 to 100. The x-axis is labeled 'PERCENTAGE OF TOTAL PROTEIN IN PELLET' and ranges from 0 to 100. A diagonal line from (0,100) to (100,0) represents the theoretical distribution. Data points for various proteins are plotted, showing their distribution between the supernatant and pellet fractions.

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MR. HARVIE: I thought I did, but I thought it was being confused.

Q MR. STEER: Then you say, what you call:

"Posting of field prices has no doubt had a stabilizing effect on field prices throughout the United States."

Now I would like to ask you, Mr. Zinder, if you know of any instance where that has occurred?

A Where what?

Q You say "the posting of field prices", as you call them, 'has no doubt had a stabilizing effect on field prices throughout the United States.' And I would like to know whether you can give us any further information about that, do you know of any case where those stabilizing influences have been exerted?

A Well it is my opinion that it has a general stabilizing effect upon prices in the field.

Q Now that is your general opinion without any instances of it to support it.

A Well, Mr. Steer, what I had in mind there was, and that is a statement of opinion, is that before a purchaser goes in or goes out to purchase gas in a particular field, he is going to get, as one of the bits of information that he would want to have, as much information on the prices being paid for gas in that field and in adjacent fields as he can get. Now one place to get that information is the Bureau of Mines publications.

Q Is it possible that he will get anything more in the Bureau of Mines publications on the question of prices than you have given us here?

A He can get it by

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Q Going into the field, I suppose.

A I do not think that the Bureau of Mines shows prices by fields. It will show it by States.

Q So your suggestion is that because the Bureau of Mines gathers data and computes average prices over the United States for gas, a man who is going to make a bargain for gas, will look at those average prices for that purpose, is that it?

A It is part of the information which he would get.

Q And that is all he needs?

A That is right.

Q And you cannot give us a single instance where it has been done, in your experience?

A No.

Q Because I think if I were going to buy gas from the Hugoton field I would go to the Hugoton field and find out what other people were paying for it down there.

A Sometimes you can find that information and sometimes you cannot get it, Mr. Steer.

Q I see. Then you go on to say:

"The market value of natural gas at the well head is recognized in many ways and is useful for many purposes."

Now that actually means, when you say "the market value is recognized", you mean that you can, - or perhaps you do not, - but I thought you meant you could go into the field and determine what gas was selling for. You did not mean that, just what do you mean by saying that "the market value of natural gas at the well head is recognized"?

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A Well I say that the mere recognition of a price of gas at the well head is represented by the publication of the Bureau of Mines of the Department of the Interior.

Q And how is that obtained?

A It is ascertained, to my knowledge, by a questionnaire.

Q To your knowledge?

A Yes.

Q What do you mean by "to your knowledge"?

A As I understand it, the Bureau of Mines sends out a questionnaire.

Q Have you seen the questionnaire?

A That is a little difficult to answer, Mr. Steer, because when I was with the Federal Power Commission we did request the Bureau of Mines to send over to us all the publications which they were using and if I recall correctly, that form was included among them. Now I do not remember it, specifically.

Q You refer on page 9 to the Hugoton field and you say:

"In a recent case before the Corporation Commission of Oklahoma, that Commission found that from the evidence introduced in this cause it appears that no gas should be used in the manufacture of carbon black at a price less than the going price of gas in that field."

What was the evidence?

A I do not know.

Q I see, and whether that is a proper conclusion from the evidence you do not know?

A I do not know.

Q Now this price which you talk about here of 5 cents as

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being the going price of gas in the Hugoton field, have you any idea how that price was fixed?

A As I said, Mr. Steer, I do not know the evidence that was introduced in the case, so I do not know what the Commission based its judgment upon.

Q Do you know whether it is the well head price or the gathered price?

A That I do not know.

Q Do you know whether the gasoline content had been removed?

A No.

Q Do you know whether it was sweet or sour?

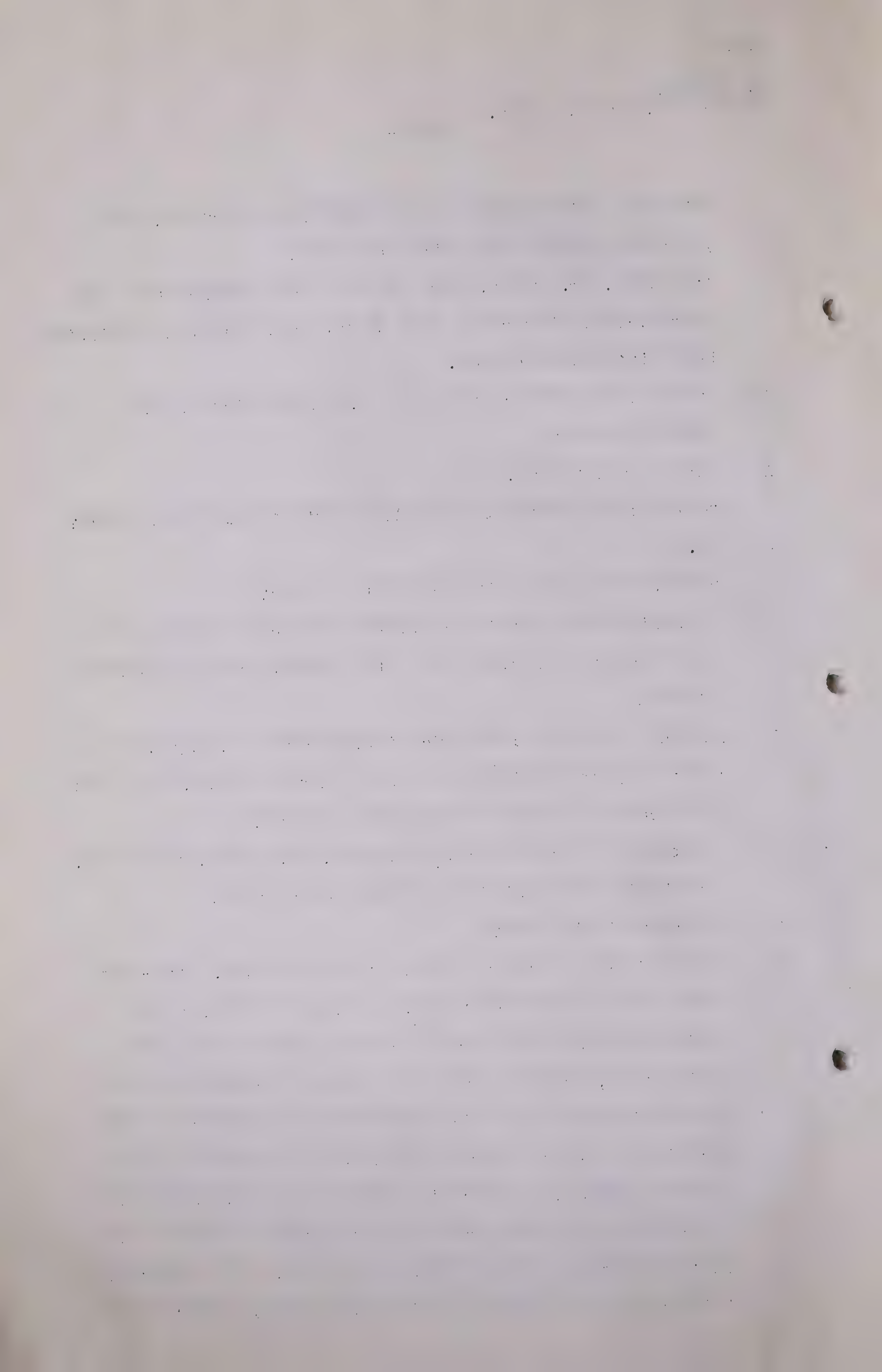
A I would assume that it was sweet gas because most of the gas in Hugoton is sweet gas but I do not know as a matter of fact.

Q And why is that 5 cent price introduced here, why do you refer in your submission to that 5 cent price, do you want us to compare Turner Valley with Oklahoma?

A I submitted it here for two reasons, Mr. Steer, to repeat, I am taking the position that gas has a value.

Q And by that you mean?

A In the field and at the well. A market value. It might even have an intrinsic value. It has a value for the various purposes to which it can be put and now I am saying that, further, that that value is recognized and I am trying to show it is recognized in a number of ways. Here is a State Commission which issues an Order based upon an opinion, evidence in its own case, but it makes the statement in that Order that the going price of gas in the Hugoton field in Texas is 5 cents. The important thing that I am trying to point out there is not the 5



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cents or any figure that that Commission may have come to the conclusion was as to the price of gas, but that there is such a thing as a field price of gas. Now that field price, - well period.

Q Period, eh?

A At that point.

(Go to page 4136) .

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Q Now you talked about the intrinsic value and I would like to ask you again if in your view the intrinsic value of this commodity varies from time to time ?

A Yes, I think so.

Q Have you any idea of what the price of gas is in the Texas Panhandle ?

A I would say around four to five cents.

Q Sweet gas gathered ?

A You might have to pay four cents for some of it at the well. You might be able to get some of it gathered. You might have to pay a little more for it gathered.

Q Do you know. You see my question to you is, can you tell us what the price of gas is in the Texas Panhandle. Now I want you to give us your knowledge.

MR. BLANCHARD: That is well head gas.

MR. STEER: Any price he can give me, well head price, or you can give me gathered.

A May I get the question again ?

Q Do you know the price of gas in the Texas Panhandle ?

A Other than the prices reflected by Table #3-A.

Q I am coming to that in a moment.

A I cannot say that I do right at the moment. I have not any specific information on it.

Q Do you know the price of gas in the Permian basin. Do you know the Permian basin ?

A Yes.

Q Do you know the price of gas there ?

A I would say the price of gas in the Permian basin is from four to five cents.

Q Do you know in June 1944 an offer was made to sell gas in the

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Permeain basin for the manufacture of carbon black for two cents a thousand allowing one half a cent for removal of the sulphur content ?

A No I do not.

Q Would you be surprised if that were so ?

A No. I might add Mr. Steer, that the contract that I indicated, that I participated in negotiating, involved gas from the Permeain basin.

Q Is that the Tennessee contract ?

A No. That is the El Paso natural gas contract.

Q On Page 9, again:

"The Commission proceeded to condition its order granting the application on the price of gas being not less than five cents per Mcf."

Do you know what the order was ?

A Pardon me while I get a copy of that order.

MR. McDONALD: I have a copy of that order, Mr. Steer.

MR. STEER: I do not want the order. I want to know what kind of an order it was, that is all.

MR. McDONALD: The best evidence of that would be the order itself.

MR. STEER: Oh sure if you want to produce it, that is fine. I thought Mr. Zinder would know offhand what it was.

A My recollection of the order as stated here, of the Oklahoma Commission. I have obtained a copy of the order and would be glad to get it after recess.

Q Very good now. Then let us go to Page 10,

"If this approach to the problem is adopted in the case of natural gas it becomes necessary to find the market value of natural gas in the Turner Valley field. "

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1. The purpose of this document is to provide information regarding the activities of the [redacted] and the [redacted] in the [redacted] area.

2. The [redacted] is a [redacted] organization.

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By that you mean the market price, don't you ?

A Well, where you are reading I did not get it.

Q The first sentence at the top of Page 10.

A That is right.

Q Market value means price ?

A At the well is what I am speaking of.

Q Then you say,

"Unfortunately, the conditions in this field have not permitted the establishment of such a price in the past".

I would like you to elaborate that. What ground have you for making that statement ?

MR. McDONALD: That, Mr. Chairman, was on the basis of the evidence already submitted that there was a monopoly contract between the companies.

MR. STEER: Perhaps the witness should be allowed to answer that.

Q I ask you Mr. Zinder on what grounds you make that statement:

"Unfortunately, the conditions in this field have not permitted the establishment of such a price in the past".

A Based upon my information.

Q From ?

A As I stated from talking to people here.

Q And what was the information ?

A That there was not a free market with respect to supply and demand.

Q Is that all, have you finished ?

A Yes.

Q Is that all the information you got. If you have got more than that, I would like to have it ?

A I did some reading of a case before, was it the McGillivray

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Commission - I do not recall now as to whether there was anything in there on that subject or not, but other than that that was all I had.

Q So you make that statement on the basis of a statement that somebody made to you that there was-that the conditions in the field did not permit the establishment of a market price in the field. Is that it ?

A That is right.

Q Do you know anything about the price of gas that was fixed under a contract between Royalite Oil Company and the Canadian Western Company in 1921 ?

A No I do not.

Q Do you know anything about the price that was fixed under a contract between those two companies in 1925 ?

A No.

Q Do you know that there was an amendment to the Public Utilities Act in 1927 that committed the control of the price under that contract to the Public Utilities Board of this Province ?

A I do not recall specifically that that information came to me. It may have.

Q Do you know that in 1928 there was a reduction made in the price of gas as between the Royalite and the Canadian Western Company ?

MR. CHAMBERS: By agreement, not by order.

A No, I do not.

Q MR. STEER: I am going to tell you Mr. Zinder, the evidence here discloses that in 1921 a contract was made between the Royalite Company and the Canadian Western Company for the delivery of gas at a price of thirteen cents. Perhaps before I go into that with you I will suggest this to you and

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probably you will agree that when a Company like the Canadian Western Company is charged with the responsibility of delivering gas to a community like Calgary and the vicinity, one of the very essential points to be guarded against is the continuity of supply. Is it not ?

A I would think so.

Q Yes, and I suppose you would accept that a distributing company would like to make its contract with a producing company that could guarantee continuity of supply ?

A Yes.

Q Now I am suggesting to you that the evidence discloses that that was this case and in 1921 we got a price of thirteen cents. In 1925 after the discovery of larger quantities of gas we got a price of ten cents to nine cents. Do you want to make a note of it. 1921, thirteen cents.

A Yes.

Q In 1924 the discovery of large quantities of gas. 1925 the contract at ten cents and nine cents depending upon quantities taken. 1927 control given to the Public Utilities Board over the prices under those contracts, do you follow that.

A Yes.

Q In 1928, ten cents and nine cent price is reduced to seven and three-quarter cents ?

A By action of the Board.

Q Not by action of the Board, by agreement of the parties. Would you have any idea of why the parties agreed on that seven and three-quarter cent price ?

MR. McDONALD: May I ask Mr. Steer this, is there any Order of the Utility Commission that fixed the price in the field. As I understand the Utility Board has only control over the price of

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gas to the consumer in the Municipality and at that time had no control whatsoever of the price in the field. The inference of your question is that the Utility Board was fixing prices in the field.

THE CHAIRMAN: The Utility Board has control over the wholesale contract for the City of Calgary, but I suppose if there had ever been an inquiry into the propriety of that price the very question you are dealing with now would come up but the parties apparently agreed to negotiate rather than come to the Board.

MR. STEER: Are you satisfied ?

MR. McDONALD: I am satisfied with what the Chairman says.

MR. STEER: You no doubt know the section to which I am referring ?

MR. CHAMBERS: There was an appeal last year.

MR. STEER: But it does not affect my point.

THE CHAIRMAN: It might also be pointed out in fairness to the witness that the Royalite had the market and that there was no price ever fixed by the Board for gas at the well head or in Turner Valley and the evidence and information that we have would indicate that those producers whose gas was taken for the fulfilment of that wholesale contract were told the prices they would get and if they did not like the price they did not take their gas..

MR. FENERTY: Their price or else.

THE CHAIRMAN: If you take the one step you should take the other step too.

Q MR. STEER: I am going to talk about the two cent price. I want you to consider those circumstances and I want

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you to say whether in the light of those circumstances your statement still stands that the conditions in the field have not permitted the establishment of a market price in the past ?

A I am speaking of a market price at the well. Now this contract you are speaking of as I understand it is between one producer, Royalite, for gas delivered at the outlet of the scrubber if my understanding is correct to the Canadian Western Company.

Q That is right.

A Therefore it is a contract between one producer and the market or the consumer and it is further my understanding that as the Chairman has just stated, there were other producers in the field and the extent to which they had an opportunity to bargain for that market I do not know.

MR. McDONALD: Or any other market.

A I am speaking of this specific market Mr. McDonald, or any other market for that matter, I do not know.

Q MR. STEER: I am glad you accepted my learned friend's suggestion. He wanted you to do it and it is quite all right with me.

A That is all right.

Q What I am going to ask you now is whether that price of seven and three-quarter cents which has been the price of gas in this area since 1928 was the price that was arrived at by bargaining on the evidence ?

A On what evidence ?

Q That you have before you, and which you have noted down.

A Well the evidence I have noted down is by agreement between the two parties, between Canadian Western and Royalite and I would say that would be bargaining at arms' length, an agreement.

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Q Now then if two parties got together and bargained about a price do you say that is not the establishment of a market price for that commodity ?

A That is the establishment of a market price for that commodity. That, in this case being at the outlet of the scrubber.

Q Now then if you have established a market price at the outlet of the scrubber and if the law of supply and demand does establish such a price, then it is a simple matter I suppose to establish a market price at the well head ?

A Well one thing I might take exception to in your statement when you say the law of supply and demand has established that price at the outlet of the scrubber. In this case you have one supplier and one market, one purchaser. To get a market price generally it is preferable and you have a more, in my opinion, a more representative market price if you have a number of suppliers and a number of possible markets.

Q How many suppliers were there with respect to the contract you spoke of, the Tennessee - Chicago contract. How many suppliers were there ?

A There was only one supplier that obtained the contract Mr. Steer. But there were many suppliers of gas or producers of gas in the Gulf-coast region that may have made offers for that contract.

Q Do you know that did not occur here before these original contracts of 1921, 1925 and 1928 were made ?

A No I do not.

(Go to Page 4144)

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H-2-1 10.50 a.m.

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Q Now, I would like you to look at this Section 57(3).

MR.HARVIE: Of the Gas Act?

Mr. STEER: Of the Public Utilities Act.

A What section is it you wanted me to look at?

Q Subsection 3 of Section 57?

A Do you want me to read it?

Q I would like you to read it,

A "The Board shall have jurisdiction".....

Q No, you do not need to read it out loud. Read it so that you will understand it?

A All right. I have read it.

Q I am suggesting to you, Mr. Zinder, that if any citizen of Calgary, any body of citizens in Calgary, or if the City of Calgary had thought that $7\frac{3}{4}$ cents, that $7\frac{3}{4}$ cents price was not a fair market price for that product, an application could have been made to the Public Utilities Board to fix a fair price.

MR. CHAMBERS: Mr. Chairman, I submit that that question involves the interpretation and the applicability of that section.

THE CHAIRMAN: I would say it involves a much more important question to my mind with relation to the subject we are dealing with, that any owner of a well which had gas which he had to flare had the right to come in under that section and make an application to the Board.

MR. CHAMBERS: I want to say now, I am not admitting that that section ever applied to that arrangement. I think that was the position taken from the first because this contract started in '21, this Statute refers to the '23 contract.

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THE CHAIRMAN: That is right.

MR. CHAMBERS: And there are various questions, important ones, that come up with regard to it.

THE CHAIRMAN: But I think there is one practical argument with regard to your suggestion, and that is that when the amendment was passed, the two parties then got together very quickly and they negotiated a new price rather than come to the Board with regard to it, and I think that your client admitted that that section was applicable.

MR. CHAMBERS: I happen to know with regard to that.

MR. STEER: I must be touching on a sore point.

Q For instance, assuming that the City of Calgary or a group of citizens in Calgary could have gone to the Board of Public Utility Commissioners with regard to this price of $7\frac{3}{4}$ cents and had the price revised, do you think that is any evidence of the price being regarded as fair?

MR. McDONALD: Fair to the citizens of Calgary?

MR. STEER: Well now, Mr. McDonald, if you want to go into the witness box, I will be glad to cross-examine you.

A If there was publicity given to that contract, and the price, Mr. Steer, so that the citizens were really aware of the price and the contract conditions, I would say yes.

Q Now, again on page 10, I talked to you yesterday about this evidence, "One of the main purposes for the enactment of the Natural Gas Utilities Act was" to share the market, and I do not want to repeat what I said yesterday, but I would like to ask you this: Who actually benefits from this scheme that we are discussing? I am going to suggest to you that the oil producer benefits, that the absorption plant proprietor benefits,

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and that the benefit to the Calgary consumer is problematical.
Would you agree with that?

A No, I would not, Mr. Steer. As I understand it.....

Q Well what part don't you, or do you disagree with?

A The problematical benefit to the Calgary consumer is in the future, a future benefit I grant, but I would think it would be more than problematical.

Q What assurance do you see that the Calgary system is going to benefit from the additional gas that is repressured under this scheme?

A That the Calgary system will have gas available over a longer period of time, assuming the present rate of delivery.

Q Would you expect the owners of that commodity, which you have given us your opinion here is going to increase in value over the years, would you expect the owners of that valuable commodity not to seek the highest price they could get for it?

A No I would not.

Q You would not?

A No.

Q Now, somebody is going to own that gas that is repressured?

A Yes.

Q And that owner is going to seek the highest price?

A Under normal conditions, yes. That is, he will normally if he is free to go wherever he can get the highest price, he will go to the highest price.

Q Yes. And it may be that in the meantime quantities of gas are discovered elsewhere which can be got for Calgary at a cheaper price?

A I suppose that is a possibility.

Q And if that is a possibility, then the Calgary consumer gets

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no benefit from the extended life of the field?

A That is right.

Q So that it is true that the citizens of Calgary can have no assurance of benefits from the extended life of the field?

A No, no guarantee certainly.

Q And yet you say that the citizens of Calgary should pay for the repressuring entirely?

A Yes.

Q But you do qualify it to the extent that you say that he should pay for it only if he asked for it?

A No, I do not qualify it to that extent, Mr. Steer. In answer to a question of Mr. Fenerty's the other day as to why I had that opinion, I said if the Calgary consumer is going to benefit by it or if, for example, I stated he was responsible for the Act which provided for the repressuring of that gas, so that he is both a possible beneficiary and one of the causes of the operation, I would think, therefore, he ought to pay the cost.

Q Now, you say that regardless whether he asked for it or not, if he is a beneficiary he ought to bear the cost?

A I say both factors.

Q I am asking you, Mr. Zinder, whether you now say that regardless of whether he asked for it or not, if he is going to benefit he ought to pay?

A I would say yes, if he is going to benefit he ought to pay.

Q And he ought to pay the whole shot?

A If there are anyother beneficiaries, assuming now the distribution of costs in accordance with benefits, then there might be a sharing of those costs between beneficiaries.

Q There is a passage in the evidence I want to look up. Could we adjourn now, if that is convenient?

- 10 -

Q. Now, you say that you were not present at the meeting on the 10th of June, 1964?

A. Yes, I was not present.

Q. And you were not present at the meeting on the 11th of June, 1964, either?

A. No, I was not present.

Q. Now, you say that you were not present at the meeting on the 12th of June, 1964, either?

A. Yes, I was not present.

Q. Now, you say that you were not present at the meeting on the 13th of June, 1964, either?

A. No, I was not present.

Q. Now, you say that you were not present at the meeting on the 14th of June, 1964, either?

A. No, I was not present.

Q. Now, you say that you were not present at the meeting on the 15th of June, 1964, either?

A. No, I was not present.

Q. Now, you say that you were not present at the meeting on the 16th of June, 1964, either?

A. No, I was not present.

Q. Now, you say that you were not present at the meeting on the 17th of June, 1964, either?

A. No, I was not present.

Q. Now, you say that you were not present at the meeting on the 18th of June, 1964, either?

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THE CHAIRMAN: Yes.

(At this juncture a short adjournment was taken).

Q MR. STEER: Mr. Zinder, will you refer to page 4004, at the bottom of the page, where Mr. Fenerty says:

"you say that the householder should not pay. You did tell me that the householder should not pay the repressuring cost of gas that is repressured?"

Have you got that?

A Yes.

Q Now, will you read from there to the bottom of page 4006?

A "No".....

Q No, just read it to yourself so that you will recall what you said?

A All right. Yes sir, I have read it.

Q Now I do take it from that passage, Mr. Zinder, that your reason for saying that the consumer ought to bear these costs is that the consumer participated in making the decision that the scheme should be undertaken, am I right in that?

A No.

Q Then what do you mean at the bottom of page 4006, by saying in answer to the question:

"Q And that would be the only possible basis for charging him with any part of that cost. That he had participated or asked for that himself because he might use that some time in the future?"

and your answer is:

"A Either that as an individual or as a majority of consumers as I see it working in a democratic group."

Now what does that mean?

A That means this, Mr. Steer, Mr. Fenerty presented to me the

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problem of a consumer who was living in Calgary and moved away after two years, should that consumer bear part of the costs of repressuring if he would not receive the future benefits of repressuring? I was directing my answer to that question as I see it.

Q So,.....

A How is that?

Q Were you going to say something?

A Yes. Now I said that in my opinion I still thought that that consumer might pay the benefit, might pay for the benefit, even though it developed subsequently because he moved that he was not going to receive them, and I said as a reason or my opinion that it can be because he participated either individually or as part of a democratic operation of society or government that that decision was made as representing the wishes of the majority.

Q Of the Calgary community?

A Yes.

Q I see. Then the inference from what you say is that to justify his being called upon to bear part or, as you say, all of this expense, the consumer in the Calgary area must be assured a benefit. Is that a proper inference from what you have said?

A Must be assured of a benefit or reasonably assured of a benefit.

Q He either must have asked for the expenditure of the money, as you say, and we have not any evidence of that here, you know that?

A I understand.

Q So we exclude that.

A Well I am sorry, I should have said I recall the Chairman making some statement that the passage of the Natural Gas

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Utilities Act, representing a decision of the Legislature here, who are representatives of the people, and I would assume that they acted in their behalf, either by request or some other way.

Q So that now you are recanting on your idea of the Calgary community being the people who ought to make the decision, and you say that the Legislature of Alberta has the power, or should exercise it, to impose this burden on the Calgary public. That is what you are now saying?

A I said that if they did so, I am assuming that they are acting on behalf of the interests of the Province, including the City of Calgary.

Q Why didn't you tell me that a few minutes ago when you told me that it was the Calgary community that you had in mind? Does it suggest the fact that it entered your head a minute or two ago and did not enter your head then?

A Well, at that time we were speaking of who received the benefit, as I recall it.

Q And who does receive the benefit? That is really a fundamental question. Who gets the benefit?

A In my opinion it is the consumers of gas, principally those in Calgary who will receive the benefit.

Q Principally those in the City of Calgary you mean?

A Yes.

Q And you use the word "principally" because people outside of the boundaries of Calgary also use this gas, is that right?

A That is right.

Q Yes.

A It is my understanding Calgary is the largest market.

Q And those people you say are the principal beneficiaries?

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A That is right.

Q And you say that notwithstanding the fact, as I understood you, you said that there was no assurance they are going to get the benefit?

A There is no guarantee.

Q No. And you are also assured, and I think you are satisfied in your own mind that there are substantial benefits to the oil operators and to the absorption plant proprietors. Are you satisfied of that?

A I am not satisfied that there are substantial benefits to the oil operators.

Q Well, would you regard it as a substantial benefit to provide an oil operator with a market for gas, which otherwise would be flared? Would you regard that as a substantial benefit?

A If he can get a reasonable price for the gas.

Q Is it a benefit or is it not, no matter what the price he gets.

A It depends upon, in my opinion, what happened with regard to the oil operator, if he ^{is} assuming no additional obligations and it is not taking any rights away from him, and he need not change his manner of operation any more than what it would have been without this Act, then I would say there would be a benefit to him, if he receives some price for the gas.

(Go to page 4152).

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Q No matter what price?

A Yes, no matter what price above zero.

Q There is no doubt at all about the benefit to the absorption plant operator, he has all this extra gas going through his plant.

A I would say there might be some doubt, Mr. Steer.

Q You do?

A Yes.

Q Where is your doubt?

A Well the absorption plant, in processing this gas, gets a certain price for its gasoline. It might, under those conditions, decide that now is not the time to produce as much gasoline as it is doing and it wants to cut down on it. If it were free to do so, it might do that, or it might say "the market price for gasoline is high now", and the combination of that price and what he can get for oil, gives him certain profits and the tax situation being what it is, why he wants to produce as much as he can. If he were free to do so he would operate in that fashion. Now if he is restricted from operating in that fashion then it might not be a benefit to him, you see.

Q Would it be a benefit to the absorption plant operator if he, under this scheme, would pass $2\frac{1}{2}$ times as much gas through his plant as he would without the scheme?

A It might or it might not be, for the reasons I have stated. Assuming now, as we know, Mr. Steer, that we are in a period of what we call, say "excess profit taxes" and that this particular company or operator has been paying excess profit tax, many might take the position that "any additional money which I might make by reason of greater volume does

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H. Zinder,
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"not mean enough to me in net. I would rather save it until a later date." That might be the way he would operate.

Q Is there any reason why the absorption plant operator that I spoke of should not close down, he might want to close down.

A Yes, if he had the right to do so.

Q And he will exercise his judgment about that and if he is free to do it.

A I say if he is restricted from doing that under one thing and not under the other, there is either a diminution of benefits or a placing upon him of certain obligations.

Q Perhaps you will tell me where the restrictions are which you are speaking of on the absorption plant operator; I suggest to you that the absorption plant operator in this area can operate or not as he sees fit.

A It is my understanding that the absorption plant operator can operate as he sees fit but the amount of gas which he might receive would depend upon the allowable permitted as to production.

Q That question of allowable is one which has existed for many years past and has nothing whatever to do with this scheme which we are discussing; now I want to know from you what you say are the restrictions that prevent an absorption plant operator operating his plant as he sees fit.

A None that I know of.

Q None?

A No.

Q Very well, now assuming that there are none.

A All right.

Q Then I ask you whether there is an assured benefit to the absorption plant operator if the volume of gas passing

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1. The first part of the year was spent in the
field, collecting specimens of the various
plants and animals of the region. The
results of these collections are now being
examined and the specimens are being
preserved.

2. The second part of the year was spent in
the laboratory, studying the habits of the
various animals and the growth of the
various plants.

3. The third part of the year was spent in
the field, collecting specimens of the various
plants and animals of the region. The
results of these collections are now being
examined and the specimens are being
preserved.

4. The fourth part of the year was spent in
the laboratory, studying the habits of the
various animals and the growth of the
various plants.

5. The fifth part of the year was spent in
the field, collecting specimens of the various
plants and animals of the region. The
results of these collections are now being
examined and the specimens are being
preserved.

6. The sixth part of the year was spent in
the laboratory, studying the habits of the
various animals and the growth of the
various plants.

7. The seventh part of the year was spent in
the field, collecting specimens of the various
plants and animals of the region. The
results of these collections are now being
examined and the specimens are being
preserved.

8. The eighth part of the year was spent in
the laboratory, studying the habits of the
various animals and the growth of the
various plants.

9. The ninth part of the year was spent in
the field, collecting specimens of the various
plants and animals of the region. The
results of these collections are now being
examined and the specimens are being
preserved.

10. The tenth part of the year was spent in
the laboratory, studying the habits of the
various animals and the growth of the
various plants.

11. The eleventh part of the year was spent in
the field, collecting specimens of the various
plants and animals of the region. The
results of these collections are now being
examined and the specimens are being
preserved.

12. The twelfth part of the year was spent in
the laboratory, studying the habits of the
various animals and the growth of the
various plants.

13. The thirteenth part of the year was spent in
the field, collecting specimens of the various
plants and animals of the region. The
results of these collections are now being
examined and the specimens are being
preserved.

14. The fourteenth part of the year was spent in
the laboratory, studying the habits of the
various animals and the growth of the
various plants.

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through his plant is increased under the scheme $2\frac{1}{2}$ times?

A Not necessarily. I say it may or may not. He may or may not benefit.

Q Would he not?

A Depending upon the price of gasoline today compared with the fact that it has to pass through his plant in the future.

Q What you are saying, Mr. Zinder, is that it is of no, it is possibly of no benefit to the absorption plant operator to have the life of his project increased. That is what you are telling us.

A I thought I was telling you that it might be of benefit to him to have the life of his project increased, as I see it.

Q Let us assume that he is a reasonable man and that he is operating the absorption plant for the purpose of producing a profit and he is operating or closing down temporarily for that purpose, now that is a reasonable assumption is it not?

A Yes.

Q Now you take that kind of an absorption plant operator and tell me whether it is an assured benefit to him to extend the life of his project $2\frac{1}{2}$ times? You do not want to answer that?

A No, Mr. Steer, it is not a case that I do not want to answer it, I feel there are many factors involved.

Q All right, let us have the factors then.

A I am trying to explain them the best I can.

Q Give your factors qualifying the question which I have put to you.

A I think I have.

Q I am asking you about a good business-like operation, where the absorption plant is operated for the purpose of making

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H. Zinder,
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profits and when the operator sees that he is not going to make profits he is going to close down and operate when he can make profits, now you said that was a reasonable assumption, did you not?

A Yes.

Q Yes.

A But I have not said

Q Now I ask you, making those assumptions, is it an assured benefit to that absorption plant operator to extend the life of his plant $2\frac{1}{2}$ times?

A And my answer, Mr. Steer, is, the answer is not a simple one, I, as the absorption plant operator, might prefer to take my profits this year entirely and close down and not take them over a period of years. I might prefer to stay in business a longer period of time and take my profits uniformly. I believe that different operators might take different positions with respect to that.

Q Would there be more profit in processing $2\frac{1}{2}$ times the quantity of gas, than there would be a unit quantity of gas?

A Will the reporter read the question please?

(BY THE REPORTER READING.) "Q. Would there be more profit in processing $2\frac{1}{2}$ times the quantity of gas, than there would be a unit quantity of gas?"

A I do not understand that question, Mr. Steer.

Q Well let us assume that the absorption plant proprietor processes 10 million cubic feet and then the second assumption is that he processes 25 million cubic feet, and I ask you if there is more profit in processing the 25 million than the 10 million.

THE CHAIRMAN: Irrespective of the period over which

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it is done?

MR. STEER: Yes.

MR. HARVIE: Or the gasoline content?

MR. STEER: I assume that the operator is not putting the gas through without a gasoline content.

MR. HARVIE: Well the evidence is that this increase will be largely free of gasoline.

Q MR. STEER: Will you answer my question, please?

A Taking a given year

Q I am not asking you to take a given year, I am asking you whether, given a reasonable absorption plant operator operating for the purpose of making profits, that he will get more profit by processing 2½ times the quantity than he will the unit quantity.

A Over what period, Mr. Steer, is he going to process this quantity?

Q I do not care over what period, he processes the gas in order to make profits.

A Well I have to assume some period.

Q Why?

A Because if you assume he is going to process the 10 million in one year and that the 25 million will be processed, taking a ridiculous example, - in say 10 years, then there would be more profit out of the 10 million than out of processing the 25 million.

Q Well then under those circumstances he would process the 25 million just as fast as he could process it, would he not?

A Not necessarily.

Q No, you are telling me that a man can take 10 billion feet

1. Introduction

The first part of the document discusses the importance of maintaining accurate records of all transactions. It is essential for the company to have a clear and concise system in place to ensure that all data is properly recorded and stored. This will allow for easy access and retrieval of information when needed.

The second part of the document outlines the various methods used to collect and analyze data. This includes both qualitative and quantitative research techniques, as well as the use of statistical software to process and interpret the results. The goal is to provide a comprehensive overview of the data and to identify any trends or patterns that may be present.

The third part of the document provides a detailed analysis of the data collected. This includes a breakdown of the data by category and a comparison of the results to previous studies. The analysis shows that there are significant differences between the two groups, and that the results are consistent with the findings of other research in this area.

The final part of the document discusses the implications of the findings and provides recommendations for future research. It is suggested that further studies be conducted to explore the relationship between the variables in more detail, and that the results be used to inform decision-making within the organization.

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of gas and put it through his plant and make very large profits and that he is not anticipating that 5 years hence he will not be able to make as large profits, then you are telling me that he would not put as much gas through that plant right away as he can, that is what you are telling me here?

A I did not say that he would make large profits on 10 million. I said assuming that he would make a profit on 10 million.

Q Well I thought you said that you assumed that he would make so much larger profit on the 10 million or the 10 billion that he put through at once, that his total profit would be more than he would get on the additional 25 million or 25 billion.

MR. BLANCHARD: He said he might, he did not say he would.

Q MR. STEER: That is it, he said he might.

A It is conceivable that an absorption plant operating at 10 million cubic feet a year might make a profit whereas if it operated on a basis of $2\frac{1}{2}$ million cubic feet a year for 10 years, it might have a loss each year, so that in attempting to answer your question what the relative profits would be of 10 million as against 25 million, I simply say I would like to assume, let us take one year as a basis, I might add further, Mr. Steer, that I am not trying, - I am trying to figure this thing out the best that I can in this sense, profit is the relationship between revenue and expenses as we recognize them, and included in expenses are income taxes and income taxes will vary, depending upon the net received from operations. The revenue will vary depending upon the price of the product at the time, so the time factor is important, I think.

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MEMO

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SUBJECT : [illegible]
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H. Zinder,
Cross-Exam. by Mr. Steer.

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Q All you are saying is that if this business is going to be operated on a good business basis he is going to take into consideration income taxes, whatever income taxes may exist, the excess profits tax and what revenue he can obtain from the gas which he processes, if he does that then he is operating on a good business basis, taking all those factors into consideration.

A He certainly is.

Q And what you are putting to me is the example of 10 million feet or 10 billion feet in a year as against $2\frac{1}{2}$ billion feet over 10 years and you say that he might lose money processing the smaller quantity annually, is that right?

A Yes.

Q Yes, and he makes money if he processes 10 billion annually.

A I am assuming that he does.

Q Yes, and I suppose if he processes 10 billion annually, if he processed 15 billion and he is capable, he will make more money.

A Over the same period, I would say yes.

Q Yes, and if his business is such that his profits are going to be larger now than they would be some time hence, then he is going to put through that gas to the capacity of his plant.

A Yes.

Q And if he puts through the larger capacity then he makes more money.

A Yes.

Q Yes, so that if he puts through $2\frac{1}{2}$ times as much as originally he might have done, his profits are going to be very much greater, that is right is it not?

A For that particular year, yes.

The first of the year was a very dry one, and the crops were much affected. The weather was very hot, and the crops were much affected. The weather was very hot, and the crops were much affected. The weather was very hot, and the crops were much affected.

The second of the year was a very wet one, and the crops were much affected. The weather was very cold, and the crops were much affected. The weather was very cold, and the crops were much affected.

The third of the year was a very dry one, and the crops were much affected. The weather was very hot, and the crops were much affected. The weather was very hot, and the crops were much affected.

The fourth of the year was a very wet one, and the crops were much affected. The weather was very cold, and the crops were much affected. The weather was very cold, and the crops were much affected.

The fifth of the year was a very dry one, and the crops were much affected. The weather was very hot, and the crops were much affected. The weather was very hot, and the crops were much affected.

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Q I do not care for what length of time. Now you work that plant to capacity and put through $2\frac{1}{2}$ times as much as you put through without this scheme, you are going to have very much greater profits from that absorption plant, are you not?

A For that year, yes.

Q I am not talking about the year. I say working the plant to capacity for as long as you have to work it to process the quantity of gas, surely you understand that, Mr. Zinder, do you not?

MR. McDONALD: Mr. Chairman,

WITNESS: I think I do, yes.

Q MR. STEER: Well is it not true that if he works to capacity and processes $2\frac{1}{2}$ times as much as he would without the scheme, he is going to make that much more profit.

MR. HARVIE: Out of the same product.

MR. BLANCHARD: Over the same period.

MR. STEER: I am not talking about a period at all.

MR. BLANCHARD: Surely that is important.

MR. McDONALD: Mr. Chairman, Mr. Steer has placed this proposition before the witness 4 times and he has given the same answer each time. Surely we must have an end to it some time.

MR. STEER: There will not be an end to it until he answers me.

MR. McDONALD: You asked it 4 times, the same proposition each time.

MR. STEER: If you will permit me to disagree with your conclusion on that.

THE CHAIRMAN: Were you going to say something, Mr. Blanchard?

• *Chlorophyll a* (Chl a) is the primary photosynthetic pigment in most plants and algae. It is a green pigment that absorbs light energy in the blue and red regions of the visible spectrum. Chl a is essential for the light-dependent reactions of photosynthesis, where it converts light energy into chemical energy.

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MR. BLANCHARD: I perhaps should not interrupt my learned friend. What I had in mind was this, and I thought this is where the misunderstanding is taking place, Mr. Steer has asked whether an absorption plant will not make $2\frac{1}{2}$ times as much, and the witness says "yes, in that period." Surely that is the only answer he can give because we do not know what profits he might make if he were able to spread that over the future. I think that is where the misunderstanding arises.

THE CHAIRMAN: Well it also seems to me that there are other factors that affect this very question and those other factors are, one of them at least, that the absorption plant is owned by a company which is a subsidiary of a company which owns a refinery and the market for natural gasoline may depend upon the refinery operation and the refinery operation may depend upon the allowables fixed by the Conservation Board. Now there are so many, so many factors, that I think it is difficult to give a categorical answer to your question, Mr. Steer. You can only have a general reply and it seems to me the probability is that the absorption plant is going to get a benefit in some ratio related to the output or the throughput of the plant.

MR. STEER: If the witness had made that answer it would be very satisfactory to me, sir, but the witness has not made that answer. The witness says in some way or other he can see that there is no substantial benefit to come to the absorption plant by reason of this scheme.

Q MR. STEER: That is your answer, is it not, Mr. Zinder?

A My answer is it is conceivable that there might be a

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situation in those operations where there would not be
any benefit.

Q Yes.

A Now I do not know

Q THE CHAIRMAN: And is it also conceivable that there
would be a benefit?

A Yes.

(Go to Page 4162)

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Q And what I want to cross-examine this witness about is as to whether or not it is a certainty that there is going to be a benefit and you will not agree ?

A That is right.

Q You will not agree that there is any certain benefit to the absorption plant by increasing its volume of handling ?

A I say that there will be a benefit to the absorption plant by increasing the volume of its handling for the particular year. Now if we are speaking in terms of the length of life of the Turner Valley field and what the sum totals of profits would be in the period that is something else.

Q I was not suggesting any such thing to you.

A Then have I answered your question when I said, Mr. Steer, yes for a particular year.

Q And I say to you it does not matter how long it takes providing you go right ahead and process it, if you increase the throughput of that plant two and a half times there is an absolute certainty of benefit if it is a business operation. You won't agree with that ?

A I cannot agree with that.

Q Pardon.

A I cannot agree with that.

Q And I suppose you won't agree with this either, that assuming there is a certain degree of benefit to the absorption plant and assuming that there is a certainty of benefit to the oil well operator and assuming that there is no guarantee as you say of benefit to the consumer, you will still say the consumer pays ?

A No, if there is a certainty of benefit to the oil well operator, if there is a certainty of benefit to the absorption plant, and

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no certainty of benefit or equal certainty of benefit to the consumer I would say the cost would be - should be apportioned in proportion to the benefits as nearly as possible, so that if there is a benefit to those others, my opinion would be they would share in the cost.

Q Now then will you look at Page 10. On that page somewhere you say:

"Each gas well has been declared a public utility".
It is down about nine, ten or eleven lines.

"As above mentioned under the provisions of the Act in making available to every producer an equitable share of the market each gas well has been declared a public utility".

Now oil wells are also declared public utilities under the Act.

I suppose you know that provided they produced gas ?

A That is my understanding, yes.

Q Now as I understand it, what you say is you do say that the operating indication is that each well has the same obligation to the public as the pipe line or gas distribution system. Where do you get that idea ?

A Well as I say, I am not presuming to interpret the Act.

Q Well you must have had the Act before you before you made that statement, did you ?

A Yes.

Q And did you read some portion of the Act that led you to make that statement ?

A Being a public utility there are certain obligations. It is my understanding that if the market requires the producer can be required to produce and deliver to the market.

Q Have you the Act in front of you. I am not sure whether Section 71, sub-section 3 is what you want or not, but you might take a

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look at that.

A Yes.

Q Is that the one ?

A That is right.

Q That is the foundation for that statement ?

A That is right.

Q Then we will just leave it at that, but I want to ask you this. We will assume that an oil well operator or a gas cap well operator for that matter, are of your opinion that the price of gas a number of years hence is going to be higher than it is now ?

A All right.

Q The natural and logical thing for that man to do would be not to produce his gas now, but to conserve it as he might readily do until the time arrives at which the higher price can be obtained. Is that right ?

A That might be.

Q That is his economic interest ?

A That is right.

Q And what I would like you to tell me is where there is anything in this Act as you read it which prevents us doing that very thing ?

A Well let me read.

Q No I do not ask you to read it over, have you seen the section of the Act ?

A I think so.

Q You will tell us what the section is and we will look at it ?

A All right, Section 71, sub-section 3-A.

Q All right. Then you say here that under a scheme of unregulated gas production the producer may determine the market. Do you

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H. Zinder,
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see that ? About line 13 or 14,-

"In the case of unregulated gas production, the producer may determine the market he wishes to serve at a contracted price".

A Yes.

Q You say he cannot do that today ?

A Not if the Board ordered him to maintain, continue or resume production of natural gas.

Q That is relying again upon Section 71 (3) ?

A That is my interpretation. I do not want to presume to interpret it.

Q No, we will interpret it, but all I want is the foundation for this statement. That is putting it clear ?

A Yes, that is right.

Q Now, in a period of unregulated gas production the producer may determine his market and I ask you this, what market did the producer find in the period from 1922 on when all these billions of cubic feet of gas were being wasted ?

MR. McDONALD: Well is that a fair question Mr. Chairman, to this witness. He was not a resident then of this Province.

THE CHAIRMAN: Well of course the question answers itself. There was not any.

MR. McDONALD: But a market might be found, but because of public policy the market cannot be served.

MR. STEER: Why not let the witness answer it. Why should you tell him what answer to give.

MR. McDONALD: I am not telling him anything.

THE CHAIRMAN: I do know that Mr. Zinder instead of trying to be obliging to Counsel should say oftener than he does, I do not know.

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MR. STEER: That would satisfy me.

THE CHAIRMAN: I think Mr. Zinder is trying to be obliging and perhaps is getting himself into a little difficulty because he is doing that.

A Frankly I do not know in this case, and that is my answer.

THE CHAIRMAN: You are going perhaps upon an erroneous presumption that because there is gas there should be a market where in fact there was not until this one was created.

A Yes.

Q MR. STEER: And then when you say that under the Act it is now mandatory that he first serve the public utility market here, again, "it is now mandatory that he first serve the public utility market," you are relying upon your interpretation of Section 71 (3) ?

A I would say yes, I think so.

Q And in your view the oil well operator is not in a position to shut in his well for as long as he likes ?

A That is right.

Q You say that well is subject to absolute regulation at the will of this Board. Is that right ?

A That is the way I see it.

Q You think that a well proprietor is not in a position now to wait for higher prices if he wants to ?

A No.

Q That his capital is all committed to the service of this system. You think that ?

A Essentially so, yes.

Q Then on Page 10, you say that he relinquishes his right to open and free marketing of his gas, and I take it that the inference is by reason of that fact he should receive a higher

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• the first time that the U.S. has been involved in the war in the Middle East is the 1948 Arab boycott of the new state of Israel and the 1956 Suez Crisis and the 1967 Six Day War and the 1973 Yom Kippur War and the 1979 Iran Revolution and the 1980 Gulf War and the 1990 Gulf War and the 1991 Gulf War and the 1992 Gulf War and the 1993 Gulf War and the 1994 Gulf War and the 1995 Gulf War and the 1996 Gulf War and the 1997 Gulf War and the 1998 Gulf War and the 1999 Gulf War and the 2000 Gulf War and the 2001 Gulf War and the 2002 Gulf War and the 2003 Gulf War and the 2004 Gulf War and the 2005 Gulf War and the 2006 Gulf War and the 2007 Gulf War and the 2008 Gulf War and the 2009 Gulf War and the 2010 Gulf War and the 2011 Gulf War and the 2012 Gulf War and the 2013 Gulf War and the 2014 Gulf War and the 2015 Gulf War and the 2016 Gulf War and the 2017 Gulf War and the 2018 Gulf War and the 2019 Gulf War and the 2020 Gulf War and the 2021 Gulf War and the 2022 Gulf War and the 2023 Gulf War and the 2024 Gulf War and the 2025 Gulf War and the 2026 Gulf War and the 2027 Gulf War and the 2028 Gulf War and the 2029 Gulf War and the 2030 Gulf War and the 2031 Gulf War and the 2032 Gulf War and the 2033 Gulf War and the 2034 Gulf War and the 2035 Gulf War and the 2036 Gulf War and the 2037 Gulf War and the 2038 Gulf War and the 2039 Gulf War and the 2040 Gulf War and the 2041 Gulf War and the 2042 Gulf War and the 2043 Gulf War and the 2044 Gulf War and the 2045 Gulf War and the 2046 Gulf War and the 2047 Gulf War and the 2048 Gulf War and the 2049 Gulf War and the 2050 Gulf War and the 2051 Gulf War and the 2052 Gulf War and the 2053 Gulf War and the 2054 Gulf War and the 2055 Gulf War and the 2056 Gulf War and the 2057 Gulf War and the 2058 Gulf War and the 2059 Gulf War and the 2060 Gulf War and the 2061 Gulf War and the 2062 Gulf War and the 2063 Gulf War and the 2064 Gulf War and the 2065 Gulf War and the 2066 Gulf War and the 2067 Gulf War and the 2068 Gulf War and the 2069 Gulf War and the 2070 Gulf War and the 2071 Gulf War and the 2072 Gulf War and the 2073 Gulf War and the 2074 Gulf War and the 2075 Gulf War and the 2076 Gulf War and the 2077 Gulf War and the 2078 Gulf War and the 2079 Gulf War and the 2080 Gulf War and the 2081 Gulf War and the 2082 Gulf War and the 2083 Gulf War and the 2084 Gulf War and the 2085 Gulf War and the 2086 Gulf War

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price ?

A That is right.

Q Notwithstanding the fact that he had that free right for twenty odd years and made no use of it ?

A That is right.

Q In other words he gives up the right to waste it which he had before and he expects substantial compensation for giving up that right ?

A Yes.

Q I see.

A I might qualify the word "substantial" and I would say -

MR. McDONALD: I am not admitting now on behalf of the producers I represent that they did not have a market for this gas many years ago. There was a market.

THE CHAIRMAN: But you could not get into it.

MR. McDONALD: We could not get into it or serve. The implication of Mr. Steer's question is that was not a fact. I do not want to interfere with his question but I do not want the record to read that way and I make this statement.

MR. STEER: Maybe if my learned friends do not like this line perhaps I had better stop.

Q Now on this Page 10 again, the last paragraph, you say:

"In the past the experience has been that there is definitely a tendency for the market price of natural gas to reach a common level over wide areas".

How wide an area ?

A I would have to describe it in terms of perhaps the States, in the States, a wide area might be the whole Gulf-coast and mid-continent region of the United States and I think there is a tendency now in my opinion for natural gas to reach a common

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level or an equilibrium of price particularly with respect to deliveries to pipe line companies.

Q On what do you base that opinion ?

A I base this upon this fact or this information Mr. Steer. I am familiar with the fact that the general prices in the Pan-handle and Hugoton fields have been around four and five cents for a number of years. I am familiar with the fact that the price of gas in the Gulf-coast region and the Permian Basin not so long ago was one and a half to two cents and that new contracts have been made for pipe line deliveries around four to five cents. Now based upon that information, Mr. Steer, I see in that a tendency towards equilibrium or a tendency towards a uniform price for a wide area.

Q And your investigation did not reveal to you a case where scrubbed gas was sold in that area for two cents ?

A I was dealing with pipe line gas, pipe line delivery.

Q Carbon black gas is not pipe line gas ?

A It is not used for the same purpose.

Q I suppose it can be used for the same purpose ?

A Yes.

Q And would you think that a proprietor of a gas well would sell his gas for two cents if he could get four or five cents for it ?

A No I do not think so.

Q I would think not either. Now what is the purpose of making that statement. Have we any wide area such as you say it has a definite tendency in it for market prices to reach a common level ?

A I would not say you were part of the Gulf-coast area, but the purpose of that statement is saying taking a comparatively wide

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area and you might start at Turner Valley or wherever gas may be found, the tendency would be for it to have a uniform value.

Q There is gas in Edmonton and there is gas in Calgary and the tendency is for the price over that area, 200 miles apart, to reach an equilibrium ?

A Pardon ?

Q I did not say you said there was. I said would you agree there was a tendency for prices in Calgary and in Edmonton 200 miles apart to reach an equilibrium ?

A I would think so.

Q And if by reason of increased price in Calgary, if prices are increased in Calgary, the citizens of that community are suffering a serious competitive disadvantage as compared with the citizens of Edmonton. Is that right ?

A You are speaking now of retail prices.

Q Any prices.

A Well I do not think the question of any prices might not affect the change in field price. May not affect the citizens of Calgary.

Q You think there can be a change in the field price of this gas without changing the seven and three-quarter cent price at the scrubber. Do you, is that your view ?

A My view is that there might conceivably be a change in the field price without changing the price to the ultimate consumer. You are talking about the customers in Calgary.

Q Yes. Well now the price to the ultimate consumer. I suppose you know and if you do not you will say so, the price to the ultimate consumer is based on the seven and three-quarter cents. The price at the outlet of the scrubber. Do you know that ?

Figure 1

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A That is one of the factors.

THE CHAIRMAN: I just want to say, surely there are other factors in the seven and three-quarter cents.

Q MR. STEER: Yes, and you know too that seven and three-quarter cents price at the scrubber, the Public Utility Board of this Province is in control of the situation ?

A That is my understanding.

Q And you assume, knowing that the Chairman of this Board is the Chairman of the Utilities Board, that that Board has done its duty and fixed on proper proof.

THE CHAIRMAN: And you will have to assume that the Government has given me adequate staff of accountants and engineers to do that.

MR. CHAMBERS: I think it is important for this witness to know if he is asked to assume the charges have the blessing of this Court.

MR. STEER: What charges ?

MR. CHAMBERS: The income, revenue and expenditures.

MR. STEER: You mean of this Board.

MR. CHAMBERS: Yes, from the Public Utilities Board.

MR. STEER: I do not know that this Board had anything to do with that.

MR. HARVIE: That is what we are going to find out.

A I do not know whether I answered that question or not or if you are interested in my answer to that question.

Q MR. STEER: I am distinctly interested if I can get it.

A My answer to that question is that I assume the Board has done its duty. However my experience has been that Utility Companies under regulation can go along a number of years before an inquiry may be made as to whether the rates are out of line

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with returns or not and therefore if the company happens to be at that point where it has not been investigated for a number of years at that moment before the investigation is made it might be out of line and through no fault of the Board.

THE CHAIRMAN: Thank you very much.

Q MR. STEER: On Page 11, the second paragraph of the page, -

"Attached to this brief are a series of schedules and charts on the subject of the value of gas at the well", and with that I take it that you mean price ?

A Yes.

(Go to Page 4172)

CHAPTER 10

The first part of the chapter discusses the importance of the study of the history of the United States. It is a study of the past which helps us to understand the present and to prepare for the future. The second part of the chapter discusses the importance of the study of the history of the world. It is a study of the past which helps us to understand the present and to prepare for the future.

From your study of the history of the United States and the history of the world, you will learn that the United States is a young nation and that the world is a very old one.

The United States is a young nation and the world is a very old one. The United States is a young nation and the world is a very old one. The United States is a young nation and the world is a very old one.

The United States is a young nation and the world is a very old one. The United States is a young nation and the world is a very old one. The United States is a young nation and the world is a very old one. The United States is a young nation and the world is a very old one.

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- Q Now, would you turn to your schedule 2 on page 1, "The average value at the well." You mean "Average price," do you?
- A Well I explained it, Mr. Steer, in the text there, that the value figures are not always prices as such.
- Q Well, I understand from what you say in the text that a man who uses his own gas when he is asked to value it, puts the price on it that his neighbour gets for it when he sells it?
- A All right.
- Q All right?
- A Yes.
- Q That is what you mean?
- A That is right?
- Q Then we will look at your schedule here, and at the top I can substitute "price" for "value"?
- A For our thinking I think we can.
- Q All right. And I do not suppose you are able to tell us anything at all about the specifications of the gas used for the purpose of making this contribution. You do not know to what extent it is gathered or purchased, and you do not know to what extent it is sweet or sour, is that right?
- A No, I do not.
- Q You say, in the first page of your schedule 2, that, as I understand it, these figures in your attachment are what are used as an index of price. Do you see that?
- A Yes.
- Q "For all practical purposes, however, this value". Now, you are referring to those average values that are contained in the schedule, in the attachment to your schedule?
- A Yes.

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$\frac{d}{dt} \left(\frac{1}{\rho} \right) = - \frac{1}{\rho^2} \frac{d\rho}{dt}$

| Condition | Control (%) | MCI (%) | AD (%) |
|-----------|-------------|---------|--------|
| A | ~95 | ~85 | ~75 |
| B | ~90 | ~80 | ~70 |
| C | ~85 | ~75 | ~65 |
| D | ~95 | ~90 | ~85 |

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Q "This value is widely accepted and used as an index of price"?

A Yes.

Q Now, I would like to ask you whether you know of any price where any of those figures in your schedule have been so used?

A I cannot specifically name a case of where somebody went and took up the figures to use them. I have used them myself.

Q Pardon?

A I have used them myself.

Q For what purpose?

A In reviewing contracts that have come before the Federal Power Commission as to the sale of gas to a pipe line company by producers to get a general idea as to what the price is in that particular area.

Q I would think it would be of a lot more value to you from that point of view if you had a record of the prices in that area?

A Yes, if you could get that that would be better material.

Q Perhaps you will tell us just how you have made use of it?

Now, a contract comes before you which calls for a price of 5 cents for gathered sweet gas delivered at a central point. Now, tell us how you would use those figures?

A Well, first of all, I would start out with the 5 cents, which seems to be an average value there over a wide area. I then would take these figures and run it down to the State and see what information they have on the state in which this gas is being produced, that is the smallest unit I could get. From there I would start with such other contracts that are available and try to make comparisons, and in no two cases that I found have you got identical circumstances, so that you have to begin to make allowances. Now, this matter, as far as the Federal Power Commission is concerned, being on an investment

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base, I might want to know the investment of the producer, his expenses, and I will test them by all those factors, assuming we are now making an investigation.

Q Let us look at the figure for 1943. It is 5.2 cents, and that is an average figure, isn't it?

A Yes.

Q What are the highest and the lowest figures which go to make up that average?

A I have the state figures. I do not know what the highest and the lowest individual producer's returns show that made up that average.

Q Are you in a position to tell me what the highest and lowest figures are that go to make up that 5.2 cents average for '43?

A I am not.

Q Will you go back to Page 11? I won't be a great deal longer, Sir. I would like to ask you what you mean by saying in the last part of Paragraph 2 "It is submitted, however, that the values shown by these schedules", what schedules do you mean?

A Schedules 2, 3 and 4.

Q "Are indicative of, and establish relative limits for, the just and reasonable price of natural gas at the well in the Turner Valley field." Now, I would like you to tell us in particular what in Schedules 2, 3 and 4 in your opinion, establish relative limits for the just and reasonable price of natural gas at the well in the Turner Valley field.

A Yes. In Schedule No. 2 we find over a period of years, 1940-43, or let us take 1938 to 1943, the price or value of natural gas at the wells averaged over the entire United States approximately

1. The first part of the paper is devoted to a general discussion of the problem.

2. The second part is devoted to a detailed analysis of the results.

3. The third part is devoted to a discussion of the results in the context of the existing literature. 4. The fourth part is devoted to a discussion of the results in the context of the existing literature. 5. The fifth part is devoted to a discussion of the results in the context of the existing literature.

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23. The twenty-third part is devoted to a discussion of the results in the context of the existing literature. 24. The twenty-fourth part is devoted to a discussion of the results in the context of the existing literature.

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5 cents. I think that that is an indication of general significance.

Q Are those the limits that you talk about?

A What is that?

Q You are talking about the price limits here on Page 11, aren't you, "Establish relative limits for"? Now am I to understand your evidence to be that the Board has to take that attachment to your schedule 2 where you give what is said to be the average value at the well, and that those average figures on the right hand column established the relative limits that are going to assist this Board in determining the price that is to be paid at the well head for Turner Valley gas, is that right?

MR. McDONALD: Mr. Chairman.....

MR. STEER: Mr. Chairman, I would ask my learned friend not to suggest answers to the witness.

MR. McDONALD: I am not suggesting answers to the witness. The noun here is "schedules". "The relative limits for" applies to two or three different things.

MR. STEER: I am asking the witness what they do apply to.

MR. McDONALD: And he answered it.

MR. STEER: He has not answered it.

Q THE WITNESS: I am going to answer. If we take Schedules 2, 3 and 4, we find on Schedule 2, as I was stating, an average price of around, a national figure of around 5 cents, and a tendency to stabilize at that point in the United States, that is, an average. Then in Schedule 3 we find field prices for natural gas paid by a certain group of pipe line companies, and there is a variation there between an average of, between 3.96 cents, 3.96 seems to be the low for United Gas Pipe Line Company for 1943, and the high of about 7.26 cents for

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Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains.

• Adaptation

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Mississippi River Fuel Corporation for 1943. I would not say that Schedule 4 has much significance. It is an indication, however, in my opinion, of the comparatively higher value at the well than found in other places due to proximity of markets. Now those prices for 1943, or values, are from 12.3 to about 23 cents. Now, I would like to add that there are, that these prices and values do average among other prices. They are average, and it seems to me they give some indication or some usefulness in determining the price of natural gas in the Turner Valley field.

Q In other words, what you say is, referring to Schedule 2, that because average prices in the United States from 1938 to 1943, taking into consideration all the varying conditions of production and consumption, over that wide area, vary between 4.95 from 1938 to 5.2 for 1943, that the Board ought to consider that fact without any further knowledge about those conditions in determining the well head prices at Turner Valley.

A That is right, without any further knowledge of what the figure consists of.

Q And you are not in a position to assist the Board with any information as to conditions of production and prices in the various areas whose reports are taken to make up that?

A No, I am not.

Q And then, as I understand it, looking at your Schedule 3(a) of Schedule 3, you say that because in those large areas that are mentioned there we have got prices ranging for the year 1944 between 3.99 and 7.12 that the Board ought to take that into consideration in fixing Turner Valley prices?

A I think it should be helpful.

Q And is there a single instance in that list of figures that you

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Cross-Exam. by Mr.Stoer.

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have given us, can you pick out a single instance where you have a situation comparable to our situation here?

A I do not know of any, Mr. Stoer.

Q Now, will you look at Schedule 3 again? And I am going to go through these with you in order. We come to the Northern Natural Gas first. That is sweet gas gathered, is it?

A Some of it is gathered and some purchased at the well mouth. It is sweet gas as far as I know.

Q Would the proportions of 90% gathered to 10% delivered at the well head be about right?

A No.

Q What are the proportions, and what are the figures on which you base your judgment?

A Well, I have for 1944, a portion of the total requirements of the Northern Natural Gas Company was produced in the Otis field, and at an average of 4.3 cents, and reported as well mouth purchases.

Q Reported as?

A Yes, to the Federal Power Commission, And the total amount of that gas is six and one-half million MCF. That is a little bit more than 10%.

Q A little bit more?

A Yes.

Q If we say fifteen to eighty-five, would that be about right?

A Now, another portion of that gas total is purchased from the Panhandle Eastern Pipe line Company at the well mouth, two million, six MCF approximately, at an average of 6.2 cents. Now, I have not figured that percentage. Then there is another amount, one hundred and seventy-two thousand MCF purchased from the well mouth at an average of 4 cents.

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There are other small deliveries. I would not know what the percentage would be.

Q No?

A But I would say that - I do not know. I have not the figure.

Q If you do not know let us let it go at that?

A Yes.

Q Then the Panhandle Eastern. Are you able to tell us about that with regard to the gas gathered and the gas at the well mouth?

A Well.....

Q It is all sweet gas, is it?

A Yes, it is all sweet gas.

Q Do you know any more about the percentage there than you do about the first one?

A No, I have not the detailed figures on that.

Q Would you dispute that it is largely gathered?

A I do not know in that case, Mr. Steer.

Q The Natural Gas Pipeline Company of America, would you dispute that is 100% gathered?

A No.

Q Mississippi River Fuel Corporation, 100% gathered and sweet?

A That is right.

Q And the Natural Gas Pipeline Company gas is sweet isn't it?

A Yes.

Q And Interstate, all gathered and sweet?

A No, I do not think it is all gathered, Mr. Steer.

Q Are you able to tell us what proportion is or is not?

A No, I cannot tell you that. I have not figured out what proportion is well mouth and what proportion is gathered.

Q Southern Natural, gathered and sweet, what do you say about

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that?

A Offhand, over a third of that is well mouth purchased. It is sweet gas.

Q Was that purchased in the Monroe field?

A No, those are purchased outside of the Monroe field.

Q Would you look now at Schedule 4? You talk here about a down trend in prices, and your Schedule shows that from around 1930 on there is a distinct down trend. I wonder if that would be right?

A Yes, I think so.

Q Do you know that in the 1930s there was a large discovery of gas in what is called the Oriskany field?

A Yes.

Q Do you know that the discovery of that large quantity of gas led to a competitive situation and resulted in the price of 5 or 6 cents in a territory where the price had been 30 to 35 cents in the 1920s?

A I do not know the exact prices that it led to. It had a very material influence, temporarily, on the prices for gas.

Q Temporarily. It would have the influence as long as those large quantities were produced, would I be right in that?

A Yes, but they were not produced very long, comparatively.

Q Do you know that there was a discovery in West Virginia in 1936, which resulted in an immediate reduction in price, in the same sands, Oriskany?

A I am not familiar with that. There still is some Oriskany production there.

Q Isn't the conclusion that we are to reach from this schedule of yours, that these prices are all a matter of the law of supply and demand with regard to this situation?

A I think so.

| Trial | Control (n=10) | MCI (n=10) | AD (n=10) |
|-------|----------------|------------|-----------|
| 1 | 85 | 75 | 65 |
| 2 | 88 | 78 | 68 |
| 3 | 90 | 80 | 70 |
| 4 | 92 | 82 | 72 |
| 5 | 95 | 85 | 75 |

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Q MR. STEER: Now the purpose of your Schedule 5 is to show that gas is cheaper in Calgary than it is in other cities of a population of 50,000 or over, would I be right in that?

A It is cheaper than most of the places of 50,000 population or over in the United States.

Q And you gave three where the price is even lower than it is in Calgary?

A Yes.

Q And I suppose that those cities are located, as Calgary is, right at the door of a gas field.

A Well I think that they probably are located right in the gas field.

Q Right in it?

A Yes, as against Calgary being some distance away.

Q Yes. Now you would not say that because a citizen of New York had to pay 50 cents a thousand for gas, that a citizen of Calgary should pay a relatively high price, would you?

A No.

Q What circumstances, or perhaps I can shorten it by saying that you would expect that Calgary would get a low price, if there is a waste product right at its door, which waste product cannot be put to any other use.

A Yes, I would expect them to get a low price.

Q Yes, and you would expect that that price would be lower by reason of the fact that the temperatures are low and large quantities of gas are consumed as compared with these moderate climates where you have given the high prices.

The first part of the report deals with the general situation of the country. It is a very interesting and informative study of the country's development. The author has done a great deal of research and has gathered a wealth of material. The report is well written and is easy to read. It is a valuable contribution to the study of the country's development.

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A With all other factors being equal, Mr. Steer.

Q Yes.

A And all other factors, and there may be many - - -

Q Yes.

A With a larger volume and the higher load factor, assuming it goes with it, resulting from the colder temperatures, why you would get lower costs and I would assume lower prices.

Q Yes. Do your figures in Schedule 5 include sales tax in the United States or are there such things down there?

A There is no sales tax. The figures in Table 5 are taken directly from the publication of the Southern Power Commission.

Q Whether or not they include sales taxes, you do not know?

A I do not know offhand.

Q And I suppose, if sales tax is to be added on, that just makes your comparison that much less favorable, is that so?

MR. McDONALD: If sales tax is added on in Calgary?

WITNESS: Favorable?

Q MR. STEER: You do know, do you, that our Calgary gas beers an 8% sales tax?

A I understand there is an 8% sales tax, yes.

Q I wonder if you have Volume 52 there and if so, will you look for a moment at page 4073, Mr. Fenerty might give you his.

(Volume 52 handed to witness.)

A What is that page number?

Q Page 4073. There are a number of instances on that page, you have that?

A Yes.

Q "There are a number of instances", have you that?

A Yes.

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Q "There are a number of instances in the States that I am familiar with where gas has been flared and is now gathered for the first time for use for pipeline purposes, and prices have been established between the producer and the pipe line company of as much as 5 cents compared with the fact that the gas was flared before."

Oh yes:

"Compared with the fact that the gas was flared before."

Now I would like to ask you if you know of any places where such gas is not gathered and delivered to the pipeline company at pressure sufficient to enable it to enter the pipeline, for that price; what I want to know is whether you know of any cases where that price is paid at the well head.

A The examples which I had in mind, of those two cases was one of the Chicago Corporation contract with the Tennessee Natural Gas Pipeline Company and that was Gathered gas.

Q That was gathered gas?

A Yes, and the contract that I have mentioned, which I participated in some negotiations on, I think, - I do not think but I know, is gathered gas also.

Q Yes. Have you considered how increases in price would affect the market, in other words are you a rate expert?

A I think I am.

Q Yes. Have you considered how an increase in the wholesale rate to Calgary would affect the construction of a rate schedule for Calgary, - maybe I did not make myself clear, do you understand

A I think I understand your question, Mr. Steer.

Q Yes.

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The first part of the report is devoted to a description of the work done during the last year. It is divided into two main sections: a general summary of the work and a detailed account of the results of the various experiments. The general summary is given in the first section, and the detailed account is given in the second section. The general summary is given in the first section, and the detailed account is given in the second section.

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A I have not given any consideration to that problem. It depends upon the price that is established in the wholesale rate. If the wholesale rate is a flat price it will have one influence on the rate structure for the City. If the wholesale rate is a demand and commodity rate, it will have a distinctly difference^t influence upon the rate structure of the city.

Q Are we talking about the same thing, namely, the price at which the Canadian Western Company, which is the distributing company, purchases its gas wholesale?

A Yes.

Q Now that price has been fixed at $7\frac{3}{4}$ cents.

A Yes.

Q Now supposing that that price is increased.

A Yes.

Q We will say it is increased by 5 cents.

A All right.

Q That increase naturally, the Canadian Western Company being a public utility, has to be passed on to the consumer.

A If you want me to assume that, I can assume it. I do not know whether it is to be or not.

Q We will show that.

A That is up to the Board.

Q Certainly, certainly, but we will assume that. But what I want you to tell me is whether you have made any study as to the increase in price to the domestic consumer that would result from, we will say a hypothetical 5 cent increase in the wholesale price to the Canadian Western Company, to Calgary.

A I have made no study as to whether, what that increase

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would be or whether anything would have to follow.

Q Would your experience lead you to be able to give an answer to this question? We will assume that the price is increased by 5 cents.

A All right.

Q That increase would have to be passed on largely to the domestic consumer because otherwise you drive the industrial and commercial consumer to other fuels.

A I cannot answer that question, Mr. Steer. I am in the midst of trying to analyze the competitive relationship of your rates to competitive fuels and until that study is completed I cannot give you an answer.

MR. STEER: I see. Thank you, that is all.

MR. McDONALD: Just one thing, Mr. Chairman; with regard to the point mentioned by Mr. Steer in regard to the rate, I asked Mr. Steer some six months ago to provide us with, on Mr. Zinder's instructions, a number of those items which are in the Notice of Motion which I made or finally filed and one of them was, I do not think I have got it with me, but it was to give us an opportunity to make the analysis which he just asked the question now about and if that is made available I think it is purely a matter of carrying through, - we might be able to assist the Board with that type of information. It is this, as I recollect it, and Mr. Zinder can explain it if necessary, we wanted to know the number of domestic consumers, the amount of mcf's sold to them and the average price of the mcf and all those details which are necessary to make the analysis.

THE CHAIRMAN: It is quite possible if the wholesale

The first part of the paper discusses the importance of maintaining accurate records of all transactions. It is essential for the business to have a clear and concise record of all income and expenses. This will help in the preparation of the annual financial statements and will also be useful for tax purposes. The second part of the paper discusses the importance of maintaining accurate records of all assets and liabilities. This will help in the preparation of the balance sheet and will also be useful for tax purposes. The third part of the paper discusses the importance of maintaining accurate records of all equity transactions. This will help in the preparation of the equity statement and will also be useful for tax purposes. The fourth part of the paper discusses the importance of maintaining accurate records of all debt transactions. This will help in the preparation of the debt statement and will also be useful for tax purposes. The fifth part of the paper discusses the importance of maintaining accurate records of all other transactions. This will help in the preparation of the other statement and will also be useful for tax purposes.

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price went up by 5 cents, it is quite possible, I say, for the earnings of the company to meet the expenses, the operating costs and the rate of return and pay this increased price without passing anything on to the consumer. I say it is possible. I do not know whether it will happen or not but I say it is possible.

MR. CHAMBERS: The information that Mr. McDonald refers to, I think, is pertinent to answering the question that my learned friend, Mr. Steer, has put to the witness and I think he will probably agree that there is nothing secret in the sense of going through his books of accounts. After all, it is a matter of interest to this Board, the weight to be given to it and other things, how many domestic consumers there are in Calgary and what is their average bill; I mean if any witness is going to be asked about an analysis of the rates.

THE CHAIRMAN: Well I have done all I can, Mr. Chambers.

MR. CHAMBERS: I submit, aside from the other question involved in that motion, upon which you made the Order, that because this company happens to be a utility, there is no reason why an employee could not be subpoenaed, the same as an employee of any person, whether under regulation or not.

MR. STEER: I admit that, providing the evidence is relevant.

THE CHAIRMAN: Yes. If I granted a subpoena for the purpose, I think, Mr. Steer would produce the witness and if I ordered the witness to answer and if he did not wish him to do so, he could go to the Appellate Division. You are all there now with the other problem and that could be

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decided also.

MR. STEER: All I asked was a general question as to his knowledge of these things.

MR. McDONALD: Oh no, you referred to this field, you said $7\frac{3}{4}$ cents to start with, that was the question.

THE CHAIRMAN: There is nothing further we can do about it at the moment anyway.

MR. FENERTY: I do not want to worry the Board, and I know other counsel will want to start, but there is one point that I should have asked and didn't that will take me a very little while. I am sure it will not take me more than four or five minutes, something which I should have asked in my other examination and perhaps it might be better for me to do it now than for me to forget it.

THE CHAIRMAN: Very well.

CROSS-EXAMINATION BY MR. FENERTY. (Continued).

Q Mr. Zinder, in discussing competitive prices of other fuels and various things of that nature, you indicated that those prices would be of assistance in arriving at the maximum charge, I think that is right, did you not?

A Yes.

Q That might be made.

A Yes.

Q And we also arrived at the conclusion that a good reason should be shown for any change from the existing price.

A Yes.

Q Yes. Now assuming that a submission has been made to this Board by a large operator, who has been engaged in drilling wells in another field in Alberta, of a price

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at which he would be prepared to supply gas to the Canadian Western Company, it would follow, would it not, that that price would fix the maximum price which should be charged for Turner Valley gas?

A Would you read that question?

Q On your assumption, on your previous assumption.

A Would you read that question back again, Mr. Reporter.

(BY THE REPORTER READING) "Q. Yes. Now assuming that a submission has been made to this Board by a large operator who has been engaged in drilling wells in another field in Alberta, of a price at which he would be prepared to supply gas to the Canadian Western Company, it would follow, would it not, that that price would fix the maximum price which should be charged for Turner Valley Gas?"

Q MR. FENERTY: To the Canadian Western.

A I do not think so, Mr. Fenerty.

Q Oh.

THE CHAIRMAN: I do not, either.

Q MR. FENERTY: For the purposes of this, I am trying to convince the Board, we are not through with that except for the moment.

A No.

Q You say that the competitive price of other fuels would fix the maximum, do you not?

A In the market, the retail market we were speaking of.

Q But the competitive price of other gas in the same market would not fix it.

A Well you have not got, as I understand your question, the same thing. In the one case, you have an individual producer who may have a large quantity of gas but related to the

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market requirements might be very insignificant and in order to bring up all the rest of that gas you might have higher costs, you might have a whole lot of other things, which would have an influence on it but it would not determine it.

Q Assuming that his supply of gas is available to this market and he is prepared to supply it and he is bona fide, would that not fix the maximum price which should be charged, I am speaking about the same commodity, gas.

MR. McDONALD: How much gas, all of the gas or part of it?

Q MR. FENERTY: Assuming for the moment that he has a supply equivalent to the supply left in Turner Valley, what then?

THE CHAIRMAN: Why should there not be a market sharing position as between fields, just as there is going to be a market sharing position as between the areas in Turner Valley and that the wholesale price to the Canadian Western would be a blending of the two.

MR. FENERTY: Well if the Board is going to take the position that the large field we are talking about as competitive, that it is not relevant but that other fuels have a relevancy, then I have to revise my ideas but I am proposing to suggest that the best possible test as to the competitiveness of gas is in Alberta, as compared to gas in West Virginia.

THE CHAIRMAN: And I would agree with you, Mr. Fenerty, but for the fact that pursuant to the terms of this statute the Board has ordered installations and investments to be made which is equivalent to investments by Government Order and it seems to me that it would be rather an unfortunate

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry must be supported by proper documentation, such as receipts or invoices. This ensures transparency and allows for easy verification of the data. The second part of the document outlines the procedures for handling discrepancies. It states that any difference between the recorded amount and the actual amount must be investigated immediately. The third part discusses the role of the accounting department in ensuring that all financial data is entered correctly and in a timely manner. It also mentions the importance of regular audits to identify any potential issues.

The fourth part of the document describes the process for reconciling bank statements with the company's records. It notes that this process should be performed at the end of each month to ensure that the company's books are in balance. The fifth part discusses the importance of maintaining up-to-date information on the company's assets and liabilities. It states that this information is crucial for making informed financial decisions. The sixth part of the document outlines the procedures for handling changes in the company's financial structure, such as the addition of new assets or the disposal of existing ones. It emphasizes that all changes must be properly documented and reflected in the financial records.

The seventh part of the document discusses the importance of maintaining accurate records of all financial transactions, including those that are not directly related to the company's core business. It states that this information is essential for providing a complete picture of the company's financial health. The eighth part of the document outlines the procedures for handling errors in the financial records. It notes that any error must be corrected as soon as it is discovered to avoid any potential issues. The ninth part discusses the role of the accounting department in ensuring that all financial data is entered correctly and in a timely manner. It also mentions the importance of regular audits to identify any potential issues.

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position if the Government, a year later, said to those companies "Your investment is lost", merely because gas can be bought 2 cents cheaper in the Princess field.

MR. FENERTY: Well in answer to the Board, I still feel that, notwithstanding the views expressed, my object in asking this witness as an expert is to get his opinion in the hope that it might have some influence with the Board.

THE CHAIRMAN: I am sorry, Mr. Fenerty, I will not say any more.

MR. FENERTY: No, but that was the idea. I may fail in it, but I want his views and the Board may disregard them or adopt them or approve of them or reject them, but I would like to get them.

Q MR. FENERTY: Now assuming for the moment that you have a supply of gas we will say comparable with the Turner Valley Supply and a reputable operator is prepared to supply that gas to the Canadian Western at a price, I suggest to you that, on your previous testimony, that necessarily fixes the maximum price to be charged for competitive gas, what do you say to that?

A I say that it has, it would have, under the assumptions which you have made.

Q Yes.

A A substantial influence but not necessarily absolutely fix it for this one reason, - as a matter of policy, if the Board determines that by fixing that price it will have discouraged exploratory drilling for gas for other markets in the area or for future uses for this market, I would say it might, or Turner Valley, might continue to have Turner Valley gas at a little higher rate, I do

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not know.

Q Does that not apply to coal and everything else, does it not?

A What?

Q I am just applying your coal idea to other supplies of gas because to me they were in that same position.

A Yes, I think it has a predominant effect. Now on the other hand, we are dealing with a market, a consumers' market, and if you allow this side of the equation to go completely on the demand and supply side and not take into account public policy and the relationship of the natural resources of the Province, why I think it would fix it in the same way.

Q I said I was going to be through before one, and I will, even although I do not exhaust the subject.

A Yes.

Q You did suggest that the price of gas in West Virginia had something to do with the price of gas in Turner Valley?

A Yes.

Q Yes, and I am suggesting if that is so that the price of gas in Alberta from another field has a lot more to do with it.

A I agree with that.

Q And I am going to suggest to you, if you apply the analogy of a maximum price based on competitive fuel, that you must apply it to another gas field if it is competitive.

A No.

Q What is the difference? I must confess I do not get it.

A I say as a matter of public policy or Government policy, if the Government wants to encourage the development of gas in the field, or gas fields, and that price would discourage it, it might then set a value close to that,

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but further than that, I agree it is the same situation.

Q Because if you do not agree with me you have to say competitive prices have nothing to do with it, and that it is Government policy, you cannot take it both ways.

A I am not taking it both ways.

Q What?

A I am not taking it both ways.

Q Well leave out Government policy then, which has nothing to do with competitive prices on coal either, well leave out Government policy entirely and I am suggesting to you that your analogy of competitive prices, and disregarding Government policy, that that price of gas in the other field must be the maximum which should be charged for Turner Valley gas.

A Yes.

Q Yes. The user of Turner Valley gas is not pledged to keep the oil operator in business for the rest of his life, is he? He has no such obligation.

A Not that I know of.

Q If that is right and if that price, the present price to the Gas Company, and our other assumptions are correct, it necessarily follows that we are forced to the position where we should be directed as to whether or not the price should be something less than that, is that not correct?

A Less than what, Mr. Fenerty?

Q If the price that the suppliers of gas in another field are prepared to take for their product or at which they are prepared to supply it, is $7\frac{3}{4}$ cents, the price now paid by the Canadian Western, we have got to the point in this Inquiry that it is the maximum and that your Inquiry should then go as to whether or not that is too

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much.

A Mr. Fenerty, in your assumption that this other field is identical at least with Turner Valley in the sense of the resources behind it, the volume that it can produce and these other factors, and they are willing to sell it for less than $7\frac{3}{4}$ cents and the question of Government policy does not enter into the question

Q Yes.

A And they want to, whether it is competitive or not, but for reasons they want to just sell for that $7\frac{3}{4}$ cents, and it is available there, I would say it would determine, under those circumstances and under those conditions, the market.

Q That is fair and one more question and I am through, when we were discussing, or rather when you were discussing these field prices in Schedule 3 with Mr. Steer, I gathered the result of that discussion was that these prices in Schedule 3 properly correspond to the field price of $7\frac{3}{4}$ cents to the Canadian Western Gas Company, am I right?

A Well, their averages. They are average field prices, and I have read, in answer to Mr. Steer's questions, some of the well head prices and some of the delivery prices, so it is the average of both.

Q But you gave a list of field prices in Schedule 3, "Field prices" is what you call them, and what they amount to is the sweet gas delivered at a gathering point at a pressure which will go into the line.

A They amount to, they represent sweet gas delivered at various points in the field.

Q Yes.

A In some cases all, In a few cases, all, at a central

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gathering point.

Q Yes.

A In other places at the well. In other cases partly gathered and they have to be gathered further, but it is the best average I could get.

Q But most of them to your knowledge do represent the equivalent of $7\frac{3}{4}$ cents here.

A My answer to that, Mr. Fenerty, was that I did not know what the proportions were.

MR. FENERTY: Thank you.

THE CHAIRMAN: Now who will be ready to go on tomorrow morning, you, Mr. Chambers?

MR. CHAMBERS: I think so.

THE CHAIRMAN: I suppose it is unfair to ask you how long you expect to be.

MR. CHAMBERS: Yes, because I have not read yesterday's transcript yet.

THE CHAIRMAN: Then will you follow, Mr. Harvie?

MR. HARVIE: Yes.

THE CHAIRMAN: And then you, Mr. Blanchard?

MR. BLANCHARD: Yes.

THE CHAIRMAN: Mr. Blanchard, you have an appointment for tomorrow afternoon?

MR. BLANCHARD: I will be in Court tomorrow afternoon.

MR. STEER: Mr. Chairman, there is a thing which is bothering me. It is contemplated that Mr. Zinder is going to present a Western brief, if I may call it that, and it would seem that there is going to be absolutely no chance for us to prepare to cross-examine on that brief

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this week.

MR. McDONALD: Mr. Chairman, what we have decided in regard to that is this, I think Mr. Zinder will be available for the first two weeks in January to return here. Now I was going to suggest with regard to that brief that we deal with that question of the competitive fuels all at once and that the Gas Company's submission will be filed and brought in, I think.

MR. STEER: Surely.

MR. McDONALD: And Mr. Zinder will be here to present the Producers' brief and then the cross-examination could be then, probably both could be held in the same week; just how many days it would require in January I am not exactly certain of.

THE CHAIRMAN: If that is so, there is no particular need of us sitting until Friday afternoon of this week.

MR. STEER: Or Friday morning if this gentleman finishes tomorrow morning.

MR. McDONALD: The only reason I hesitate about this is that Mr. Zinder has this Federal Power Commission sitting in regard to the investigation in the United States. But the chances are that they will not be sitting the first two weeks in January. However, I respectfully suggest it will take at least five days in that week on competitive fuels.

THE CHAIRMAN: When it comes to that, you can have the full two weeks, but I am speaking now of today and tomorrow and looking out the window at the weather at the same time. We will sit tomorrow.

MR. HARVIE: And Friday if necessary.

THE CHAIRMAN: If it is really required but I am hoping

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H. Zinder,
Cross-Exam. by Mr. Fenerty.

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we will find it unnecessary to do so, I mean by adjourning part of this cross-examination until January.

MR. CHAMBERS: As I understand it, Mr. Chairman, it is agreed that the briefs of Mr. Zinder and of the Gas Company on these competitive fuels and the rates will be available ahead of time.

MR. STEER: You already have our brief.

THE CHAIRMAN: Oh yes, quite so.

MR. McDONALD: Yes.

THE CHAIRMAN: Then we will adjourn now.

(The Inquiry was here adjourned to be resumed at 9.30 A.M. Thursday, November 15th.)

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... it is necessary to do so, I am by no means
... of this case - resolution until January.

Mr. Chairman: Is I understand it, Mr. Chairman, it
is agreed that the subject of Mr. James and of the Gas Company
of these competitive fields and the matter will be available
... of time.

Mr. James: You already have our plan.

Mr. Chairman: In yes, please so.

Mr. James: Yes.

THE CHAIRMAN: Then we will adjourn now.

(The meeting was adjourned to be resumed at 9.30 A.M.)

Thursday, November 1944

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